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# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND NOVEMBER 26/NOVEMBER 27 1994

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## Lira at record low as Berlusconi's troubles mount

The Italian lira hit a record low against the D-Mark yesterday amid worries that the government had made concessions to trade unions to avert a strike. The market was also nervous about the plight of embattled prime minister Silvio Berlusconi, who faces investigation - probably this weekend - about alleged corruption while he ran his Fininvest business empire. Page 28; Man in the News, Page 10

**Sony's Morita steps down as chairman:**

Akihiro Morita, one of Japan's most highly regarded businessmen, resigned as chairman of Sony yesterday on health grounds. Mr Morita, 73, will become honorary chairman of the company he co-founded with Masaru Ibuka. While Mr Ibuka was the engineering genius, Mr Morita is credited with building Sony into an international operation with annual sales of almost ¥4,000bn (\$40.65bn) a year. Page 13

**Bock's Advanta sells hotel chain:** Lönroth chief executive Dieter Bock's company Advanta Management sold its majority stake in Kampinski, the German hotel chain, to Thai hotel company Dusit Sindhorn. Mr Bock had promised to dispose of his outside interest. Page 13

**Volkswagen shares dropped in Frankfurt:** as the company unveiled plans to slash capital investment and reports started circulating about an internal profits forecast. Page 13; World stocks, Page 15

**Rwandan refugees killed:** Zaire troops killed at least eight Rwandan refugees, including four children, when they opened fire at a camp north west of the Zaire border town of Goma.

**North West Water Group, Britain's second biggest water group, is linking up with Bechtel of the US to develop worldwide water and waste-water operations and create a substantial North American operation.** Page 12

**Two die in concert fire:** Polish police believe arsonists may have started a fire which killed two and injured more than 200 people at a rock concert in the Gdansk shipyard.

**Iberia strike pressure mounts:** Workers at Spain's state airline Iberia disrupted flights, clashed with police in Madrid and threatened wildcat strikes next week unless management withdraws an emergency job cuts plan. Page 2

**Austrian coalition formed:** Austrian chancellor-designate Franz Vranitzky unveiled a third successive coalition government between his Social Democrats and the People's Party and said the accord would lead to a sharp drop in the budget deficit. Page 2

**Polis point to Delors:** European commission president Jacques Delors leads conservative premier Edouard Balladur by 51 per cent to 49 per cent in the French presidential race, according to the second opinion poll this week to put Delors ahead.

**Hong Kong inflation eases:** Hong Kong is expecting its lowest annual inflation rate since 1989. The government reduced its inflation forecast from 8.5 per cent to 8 per cent, leaving predicted economic expansion unchanged at 5.7 per cent. Page 3

**London shares ease at end of bad week:** Recovery on Wall Street and some bullish comments from a UK securities house helped raise spirits on the London stock market, where investors were unwilling to commit themselves ahead of a key vote on the European finance bill on Monday. After falling 22 points at one stage, the FT-SE 100 share index closed only 3.1 lower at 3,033.5, but that still meant a fall of almost 100 points on the week. Page 25; Lex, Page 28

**Few favour privatisation:** Only 60 of the 15,400 respondents to the British government's consultation paper on the Post Office favoured privatisation, industry minister Tim Eggar disclosed. Page 6

**Ivory and Sime:** the Scottish fund manager, plans to renege its flagship investment trust, British Asset Trust, whose income has not been high enough to pay investors the high dividends they were promised. Page 28

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## Building societies' merger will create unit with assets near £90bn

# Halifax and Leeds to form bank

By Alison Smith

The Halifax and the Leeds, two of the UK's largest building societies, have agreed to merge, then convert into a fully-fledged bank and a public limited company.

The deal is a significant move forward in the restructuring of the UK personal financial services industry. If it goes ahead, it will create the third-largest high street bank, with about £90bn in assets and a quarter of new mortgages.

Mr Jon Foulds, Halifax chairman, said yesterday the societies had "the opportunity to create a Yorkshire based world-class alternative to the clearing banks", which would continue to focus on savings, mortgages and insurance.

In contrast to traditional society mergers, members will not benefit from a bonus distribution of funds if the merger is approved. But they will later get shares in the new company.

At today's stock market values, the combined organisation would have a market capitalisation of £8bn-£9bn, which would mean shares worth between £500 and £1,000 on average for members.

Under the merger, the Halifax will take over the Leeds, with the 11m members of both societies voting on the deal in spring 1995. Then, if members approve in a second vote, the enlarged group will convert itself to a plc with a full banking licence.

The new organisation will keep the Halifax name, chairman,

chief executive and head office. Five non-executive directors and two executive directors from the Leeds board will join the Halifax board, and some of Leeds' product names - such as the Liquid Gold savings account - will be retained.

At its annual general meeting this year, the Halifax said it was seeking a merger with another society. The Leeds had been intending to merge with the National & Provincial building society but talks were called off in October 1993. It has been without a chief executive since February 1993, when Mr Mike Black-

**Inequality in the society**  
wedding.....Page 11

burn left to become chief executive of the Halifax.

The deal must overcome several regulatory and legal hurdles in order to succeed. These include a decision by the Department of Trade and Industry about whether the merger should be referred to the Monopolies and Mergers Commission.

The two societies have about 20 per cent of outstanding UK mortgage balances, and about 24 per cent of new mortgage business. They are no longer offering new customers the opportunity to become members by opening savings accounts. New investors will be offered non-voting deposit accounts.

The conversion would represent the largest single extension



Mike Blackburn, chief executive of the Halifax, outside his headquarters

of share ownership in the UK. It would be the first such move since Abbey National converted to plc status July 1993.

Rival financial services executives were divided yesterday about the impact of the merger on competition. Some societies argued that they would benefit more from the removal of Leeds,

the fifth-largest society, as a separate presence than they would lose from Halifax becoming even larger. It is already almost twice the size of the next largest, Nationwide Building Society.

Nonetheless, the deal may encourage other societies to press ahead with mergers. And it is likely to reignite interest in

converting to plc status and to intensify the search for cost savings.

The overlap between the 1,100 branches of the two societies has already led to fears of job losses among their 27,000 or so staff, although the societies said they expected job losses to be found through natural wastage.

## Hurd floats possibility of EU referendum

By Kevin Brown,  
Political Correspondent

Mr Douglas Hurd, foreign secretary, floated the possibility of a referendum on further European integration yesterday as rightwing Tory MPs claimed they had been threatened with deselection if they vote against the EU finance bill.

Amid an increasingly bitter battle over Monday's crucial second reading vote on the bill, ministers said there was no prospect of a general election or a successful rightwing challenge to Mr John Major's leadership of the Tory party.

Frenzied head counting at

Westminster, indicated that 18 Tory backbenchers - just enough to block the EU finance bill - had signed a rebel motion giving the Commons public accounts committee power to block UK contributions to the EU budget.

And in a development certain to inflame Eurosceptic anger, Mr Hays van den Broek, EU commissioner for external political affairs, called for a new constitutional deal that would end the UK's right to veto further integration.

Mr van den Broek said that four-fifths of the EU's population and member states should have the right to over-ride national vetoes, challenging the 36-year-old

principle that treaty changes must have unanimous support.

Mr Hurd's admission that a referendum had not been ruled out was seen as an attempt to defuse the

**Call for EU progress.....Page 2**  
**Fayed cleared.....Page 6**  
**Strapped for credit.....Page 10**  
**Lex.....Page 28**

European issue by suggesting that voters may have the final say. Mr Hurd said he was "temporarily opposed" to referendums, but only parliament could decide whether to hold one. "It is a great mistake to say

never in this world and you will see I am not saying never," he told BBC radio. Downing Street said the prime minister remained "sceptical" about referendums, but did not rule out the idea.

A pledge of tough action against EU fraud will form the centrepiece of the government's defence of the finance bill. Potential rebels said they were coming under intense pressure to fall into line before the vote.

Mrs Teresa Gorman, MP for Billerica, said that Conservative central office had threatened to disband her constituency party and install another candidate if it refused to deselection her. Central office said the party's voluntary

area "christians" had simply explained the party's rules to the constituents.

Underlining the government's nervousness, Mr Michael Howard, the rightwing home secretary, warned that the party needed "unity and discipline."

● The Crown Prosecution Service yesterday cleared Mr Mohamed Fayed, the owner of Harrods, of allegations that he tried to blackmail the prime minister by threatening to disclose indiscretions by ministers.

Mr Fayed said he was "totally vindicated" and demanded an apology from Mr Major. Downing Street said there was "no question" of an apology.

## UN and Nato fail to prevent Serb push into Bihac

By Laura Silber in Belgrade

Serb fighters and their allies in a renegade Muslim force said they had advanced further into the town of Bihac last night, despite intensive mediation efforts by the United Nations and apparent fresh air action by Nato.

First accounts conflicted on whether Nato aircraft had struck at targets or had merely buzzed Serb positions in the area. Officials of the western alliance in Brussels declined immediately to confirm that any operation had taken place.

The advance by Bosnian Serb guerrilla forces into the poorly defended town centre, which is supposedly protected by UN resolutions, was reported by the Belgrade news agency Tanjug. General Manojlo Milanovic, the Bosnian Serb chief of staff, demanded that the government army in Bihac surrender by this evening, warning: "If you don't listen to me, I can't guarantee your lives."

Fighters loyal to Mr Fikret Abdic, a maverick local Muslim leader who opposes the Sarajevo leadership, have been advancing on government positions in tandem with the Serbs. A radio station controlled by Mr Abdic said 400 of his men had entered Bihac town.

Before the latest move forward was reported, the Serbs were said to be in control of about one-fifth of the nationally protected zone consisting of Bihac town and its environs.

The latest Serb advance followed the announcement by the UN of a ceasefire in the Bihac area, and a day of bitter arguments between the UN and the Bosnian government as to how badly and by whom it was being violated.

The Bosnian government, adamant that the UN was failing in its obligation to protect the town, said it was coming under heavy shelling despite the truce.

UN officials claimed that the ceasefire had initially held out fairly well, and they accused the Bosnian army of firing out of the town with the intention of

Continued on Page 28  
UN and Nato struggle, Page 2

## Goldman Sachs wins role in Deutsche Telekom sale

By Andrew Fisher in Frankfurt  
and Michael Lindemann in Bonn

The German government yesterday named Goldman Sachs and Deutsche Telekom as joint lead banks to head the DM15bn (\$6.17bn) sale of shares in state-owned Deutsche Telekom, setting the stage for one of the world's biggest equity issues.

Mr Wolfgang Eibisch, the postal minister, ended weeks of waiting with the announcement that Goldman Sachs, the US investment bank, would join Deutsche Bank and Dresdner Bank as joint lead banks of the global issuing consortium after intense speculation over which foreign bank would play the most prominent role.

With fees of about DM400m involved in the partial privatisation - a quarter of the group will

be sold in the first tranche early in 1996 - the issue attracted interest from 22 foreign banks.

They were screened at a "beauty contest" in Bonn where they made presentations to government and Deutsche Telekom officials in September.

Goldman Sachs was considered the favourite, because of its performance in the contest, its telecommunications knowledge and its work with Deutsche Telekom on acquisitions. But other banks, notably Merrill Lynch of the US, were also in the running. European banks lobbied hard, but unsuccessfully, for a British bank to be a co-leader.

UK investors are expected to take up to DM30bn of the issue and the US market about the same. S.G. Warburg, the London-

based investment bank, will head the UK consortium, while the US group leadership will be shared by Goldman Sachs, Deutsche Bank and Merrill Lynch.

Deutsche Bank was given a more prominent role than many bankers expected, since it will be spokesman for the global consortium. It will also head the book-building operation in which investment demand is assessed and the issue price worked out.

"This takes the investment banking activities of Deutsche Bank a huge step further," said Mr Ronald Schmitz, a director.

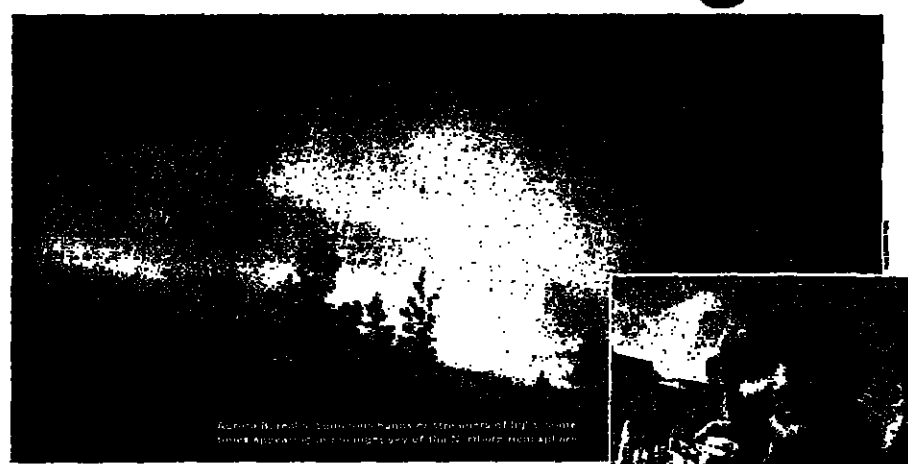
The German bank surprised the financial community a month ago by deciding to locate its main investment banking activities in

Continued on Page 28

STOCK MARKET INDICES			
FT-SE 100: 3,033.5	(-3.1)	US LUNCHTIME RATES	
Yield: 4.34		Federal Funds: 6 1/2%	
FT-SE Europe: 100	(-1.18)	3-m Treas Bill: Yld: 5.41%	
FT-SE A All-Share: 1,509.07	(-0.18)	Long Bond: 9 1/2%	
Nikkei: 18,998.99	(-34.31)	Yield: 7.91%	
New York:		■ NORTH SEA OIL (Argus)	
Dow Jones Ind Ave: 3,768.61	(-24.98)	Brent 15-day (Jan): \$17.175	(17.15)
S & P Composite: 452.5	(-2.57)		
■ LONDON MONEY		■ GOLD	
3-mo Interbank: 6 1/4%	(6%)	New York Comex(Dec): \$384.7	(384.7)
Life long gilt h.t.: Mar 102(3)	(Mar102.3)	London: \$384.85	(384.5)

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## Northern Lights



Telia extends mobile telephony services into Estonia, Latvia, Lithuania, Russia...

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Telia has just launched its mobile telephony services in Estonia, Latvia and Lithuania. Within the next few years the people of Riga, Tallinn, Vilnius and Minsk will enjoy the same mobile telephony services as in western and central Europe.

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NEWS: EUROPE

# Maastricht speech adds to EU row

By Lionel Barber in Brussels

Mr Hans van den Broek, EU commissioner for external political affairs, has risked inflaming divisions in the ruling Conservative party in Britain with a call for weakening national veto powers in the European Union.

Mr van den Broek, who will assume wider authority in external relations in the incoming Commission of Mr Jacques Santer of Luxembourg - successor to Mr Jacques Delors, who leaves the presidency of the European Commission in January - said it was time to consider new constitutional arrangements to allow a vanguard of integration-minded states to move ahead in a multi-speed Europe.

He suggested that changes in the Maastricht, Rome or other EU treaties should enter into force when four-fifths of the EU's population and member states have ratified - a challenge to the 36-year-old principle that treaty changes must be unanimous.

Mr van den Broek's speech, in the Hague on Thursday night, came at the end of a turbulent week in British politics, with the UK government threatening to call an election if it loses a parliamentary vote next Monday on raising EU contributions to the EU budget.

His thoughts reflect broad but by no means overwhelming sentiment among governments in Germany, the Benelux countries, and, to a degree, France, in favour of a multi-speed Europe built around an inner core of committed integrationists.

Mr van den Broek's speech would serve as a marker ahead of the 1996 inter-governmental conference to review the Maastricht treaty, but British officials noted that the Dutch commissioner had touched "the most sensitive point" of the Rome treaty. Others warned that forcing the pace of integration by diluting national veto powers

could "break the Union". According to a text distributed in Brussels yesterday, Mr van den Broek said: "I believe that the majority view in the Union is that all members should move ahead together wherever possible - but if a smaller group wish to push ahead towards closer integration then they should be allowed to do so."

In a side-swipe at Britain and Denmark, who won opt-outs in the 1991 Maastricht treaty on monetary union, Mr van den Broek said: "A few years ago some member states were competing for opt-outs. Now, the competition should be for opt-ins." Last month, Mr Jean-Luc Dehaene, the Belgian prime minister, called for an extension of majority voting, declaring that the need for unanimity and the exercise of national vetoes could lead only to blocking effective action.

Mr Dehaene proposed that the Commission should decide which countries met the conditions for a multi-speed approach, with a final decision made by a qualified majority of member states.

Despite these interventions, senior British officials remain confident that the 1996 conference will not lead to wholesale revisions in the Maastricht treaty and a substantial weakening of veto powers.

In the UK government's view, France remains the swing country in 1996. Official predictions assume that a sovereignty-conscious French government will resist German pressure to form a genuine European political union with the Commission as the new executive government of Europe.

However, there is some concern about the possibility that Mr Delors may enter and win next year's presidential race in France. The prospect of Mr Delors joining Chancellor Helmut Kohl of Germany in a reinvigorated Franco-German axis is not viewed with relish in London.

# UN and Nato in struggle over Bosnia

By Bruce Clark, Diplomatic Correspondent

The UN has in effect recaptured from Nato the main diplomatic initiative over the Bosnian conflict, in a fresh setback for the prestige of the Atlantic alliance.

The pivotal role of the UN was illustrated yesterday by the mediation efforts of General Sir Michael Rose, UN commander in Bosnia, and a comment from Mr Boutros Boutros Ghali, the UN secretary general, that he was in touch with all the warring parties.

Shrugging some off some harsh criticism from Bosnia's Muslim-led government, the British general yesterday took advantage of the apparent exhaustion - however temporary - of both parties in the Bihac enclave to broker a ceasefire.

Having captured such strategic positions as the Grabice plateau and the Debeljak hill, the Serbs may have calculated that they had little need to advance any further into the town, while the Bosnian army was in severe need of a breathing space after two weeks of continuous setbacks.

The visibility of the British UN commander pointed to a renewed emphasis on pragmatic, ad hoc mediation efforts - which avoid passing judgment on the parties - and a setback for the interventionist philosophy which the US has urged on its Nato partners.

Nato ambassadors failed on Thursday to reach agreement on a US plan for demilitarising the Bihac area, and they said they were referring the proposal to the UN for further elaboration.

There was little sign, however, of that elaboration taking place yesterday because the problem raised by France over the US proposal - the lack of ground troops to oversee demilitarisation - seems a virtually insoluble one.

It was becoming clearer that the UN hopes of a Nato imprimatur for firm intervention in the conflict, with tough use of air power to shore up the military fortunes of the Bosnian government, have effectively been dashed.



Defender: A French UN soldier patrolling the area around Sarajevo airport yesterday as peace negotiations took place

Mr Willy Claes, the new secretary-general of Nato, acknowledged yesterday that he was disappointed by an allies' failure to agree. "They should have been able to push further," he said.

Yesterday's developments were only the latest in a series of setbacks to the prestige of Nato's political machinery.

In theory, the US should always find it easier to win approval for its policies in Nato - where it is by far the biggest military power - than in the UN, a where it has to

contend with the influence of Russia and China.

But last week, as air attacks from Serb-held Croatia brought the Bihac crisis to a head, US diplomacy appeared to be homing in more strongly on the UN, where the security council passed an emergency resolution late last Saturday.

US officials are understood to have had some frank discussions with Mr Boutros Ghali about the need for tougher action in Bosnia.

The recent electoral victories for the Republicans in the US have increased the pressure for an outright lifting of the arms embargo against Bosnia - something that would almost certainly make the UN's continued presence in the republic untenable and force a humiliating withdrawal.

Mr Boutros Ghali is believed to be well aware of that consideration as he formulates policy towards Bosnia and tries to head off the danger that Yugoslavia will end in the same humbling way as the UN mission in Somalia.

The secretary-general has other factors to take into account, including the delicacy of the situation on the ground, and the impossibility of intervening with air strikes in hand-to-hand fighting.



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# Russian duma deflects budget row

By John Lloyd in Moscow

The Russian parliament last night stepped back from confrontation with the government over the budget by calling for a "conciliation commission" to "check on the basic figures" of next year's budget before a vote is taken.

The commission is due to report by December 10.

However, the debate yesterday in the state duma (lower house) and comments by leading deputies leave little doubt that the budget as it stands -

promoted by the government as a strategy which will finally puncture high inflation and stabilise the rouble - would be voted down by the duma.

According to Mr Mikhail Zadornov, chairman of the duma budget committee, only the liberal Russia's Choice party led by Mr Yegor Gaidar would vote for it.

The government has made clear it is open to proposals to tinker with the figures, but will reject all efforts at strategic shifts. The budget envisages no central bank credits

for the government next year, the sale of a massive Rhs70,000bn worth of treasury bills, and support, largely from the international Monetary Fund, of nearly \$13bn (\$8bn) - at the present exchange rate, around one third of the projected yearly income.

Mr Zadornov attacked each part of the budget strategy. He said treasury bills would not be sold in large amounts at a time of high inflation, that the projected level of taxes could not be gathered and that the

projected level of expenditure was far too low given commitments already made and debts which had to be paid.

Mr Vladimir Panskov, the new finance minister, yesterday revealed the parlous state of the government's finances - admitting that it could not pay Rhs3,000bn it owes to defence equipment companies. However, he said that the nearly Rhs2,000bn debt owed in back wages to state employees had been reduced to Rhs600bn.

The discussions are now very bitter. Mr Alexander Pochinok, the Russia's Choice member who is deputy chairman of the budget committee, yesterday attacked Mr Zadornov and other leading members for refusing to realise how essential the budget was to save the country from continuing decline.

To derision from his colleagues and from many of the press, Mr Pochinok said: "If we want to live reasonably, we have to learn how to produce and how to sell. People buy imported goods because they are better - it's that simple."

Mr Pochinok, the Russia's Choice member who is deputy chairman of the budget committee, yesterday attacked Mr Zadornov and other leading members for refusing to realise how essential the budget was to save the country from continuing decline.

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# Spanish flights hit by protests

By Tom Burns in Madrid

Flight cancellations, delays and scattered clashes between ground staff of the state-owned Iberia airline and police yesterday at Madrid's Barajas airport were a foretaste of the chaos that could afflict air traffic to Spain in the days ahead.

Some 30 Madrid-Barcelona shuttle service and other morning rush-hour flights to Spain's main cities were grounded as police took four hours to restore calm to the domestic terminal. At several airports, works committees began sit-ins.

International flights were not affected yesterday but airlines were bracing themselves for a worsening situation next week. "We're not cancelling anything at this stage and we'll just have to wait and see," said Air France.

Yesterday's incidents were caused by Iberia employees affiliated to minority unions. The disruptions are likely to increase on Monday when the main unions will join the protest against a drastic restructuring plan drawn up by the management that involves redundancy notices for 20 per cent of the company's 25,000 employees and the sell-off of most subsidiaries.

The powerful Iberia pilots union, which had so far stood back from the dispute, said it would support strike action and would also take the airline's management to court if it pressed ahead with the break-up of the company.

The main concern is that wildcat action could close domestic airports. Extremists are calling on Iberia employees to block runways and to cause disruptions similar to those during the violent Air France strike a year ago.

The airline is expected to lose Ptas44bn (\$218m) and it could face bankruptcy next year unless it severely reduces its costs and raises fresh capital through disposals.

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FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75004 Paris. Cables 01. Telephone (01) 4297-0521. Fax (01) 4297-0629. Printer: S.A. Nord Roubais, 1521 Rue de Caen, F-59100 Roubais. Cables 1. Editor: Richard Lambert. ISSN: 0147-7353. Comptroller: Paritaire No 76808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskøft 42A, DK-1161 Copenhagen. Telephone 33 13 44 41. Fax 33 93 53 35.

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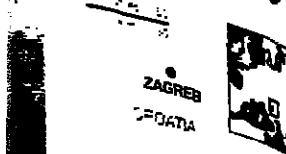
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INTERNATIONAL NEWS DIGEST

# US opens Cuba phone lines

Direct-dial telephone service opened last night between the US and Cuba for the first time in 30 years. Both AT&T and MCI were due to open telephone lines to Cuba yesterday evening, offering a much easier and cheaper service to Cuban exiles, who have had to resort to special services in Canada and Italy to get around a bottleneck that restricted the number of calls to the Caribbean island.

Telephone service is the one significant area in which the US has wanted to ease its long-standing embargo against the government of President Fidel Castro. The 1992 Cuban Democracy Act, which otherwise tightened the embargo, offered new opportunities to improve telecommunications links.

Much of Cuba's telecommunications equipment dates from the 1920s, and only an estimated 1 per cent of the 60m calls placed from the US to Cuba go through. But upgrading the link has been complicated by disputes over how to handle Cuba's share of the revenue from telephone calls. *George Graham, Washington*

## Nicaragua reforms constitution



The Nicaraguan congress has approved constitutional reforms which ban close relatives of President Violeta Chamorro (left) from standing for the presidency, in a move to shift powers from the executive to parliament. The reforms, which allow for a second but not consecutive presidential term, are a defeat for Ms Chamorro's son-in-law, Mr Antonio Lacayo, the minister of the presidency and de facto prime minister. He was hoping to stand for president in May 1996.

The vote means the hard-line Sandinista leader and former president Mr Daniel Ortega may stand in 1996. But his plan to negotiate with Mr Lacayo the removal of the constitutional ban - in exchange for a law to legalise Sandinista ownership of some properties confiscated during the party's 1979-90 administration - has been scuppered. It was supported by 32 moderate Sandinista congressmen out of a total of 39, in defiance of Mr Ortega and the Sandinista assembly. "This is an enormous political defeat for Daniel Ortega and Antonio Lacayo," says Mr Carlos Tunnerman, a former Sandinista ambassador to Washington, who has left the party. "The division in the party is irreconcilable and a split is inevitable."

The vote cuts the presidential term from six to five years, obliges the government to seek congressional approval for international loans and trade negotiations, and makes the army more accountable to civil authority. *Edward Orlebar, Guatemala City*

## Oslo to plug oil tax loophole

Norway yesterday announced a controversial plan to plug a loophole in the petroleum tax regime which it says has cost state coffers losses estimated at Nkr300m (\$28m) a year in inflated profit repatriation by foreign oil companies. The state accuses oil companies of boosting profit repatriation by building up debt in their Norwegian subsidiaries and offsetting the financing costs against local taxes. The finance ministry proposal would require the companies to maintain their equity capital at a minimum of 20 per cent or be penalised by higher taxes.

The so-called "thin capitalisation rule" will be retroactive to the beginning of 1994 if it is approved by parliament. "The proposition means that a higher equity capital share than 20 per cent will have consequences for taxation since the rights to deduct net financial costs will be limited in proportion to a maximum debt ratio of 80 per cent," the ministry said. *Karen Fosell, Oslo*

## West German inflation slows

The annual inflation rate in west Germany slowed from 2.8 per cent to 2.6 per cent in the month to mid-November, according to preliminary data from the federal statistics office yesterday. With prices continuing to stabilise, and a strong D-Mark defending the economy against imported inflation, economists suggested the Bundesbank still had room to reduce its short-term interest rates. Meanwhile, central bank data issued yesterday showed that a deficit of DM7.7bn (\$3.14bn) on the pan-German services trade balance made the largest contribution to an unexpectedly big total current account deficit of DM5.2bn during September. The aggregate deficit for the first three quarters of the year rose accordingly to DM41.5bn. Visible imports, up 5.2 per cent, grew more than forecast, leaving the trade surplus at DM5.8bn, down from DM7.1bn in August. *Christopher Farley, Frankfurt*

Mr Horst Schulmann, a Bundesbank council member and president of the regional central bank in the state of Hesse, has died. He had been ill for some time. *Reuter, Frankfurt*

## Tanzanian minister 'must go'

The International Monetary Fund and World Bank have told Tanzania's government that its finance minister should be removed, officials in Dar es Salaam said yesterday. They said IMF and World Bank representatives said the scheduling of a new meeting of Paris Club creditor countries and the resumption of aid by Norway and Sweden depended on Mr Kigama Malima's departure.

President Ali Hassan Mwinyi last week appealed to donors and international agencies to keep giving his government aid during an official investigation into rampant tax evasion, which cost an estimated \$125m (\$76.2m) in lost revenues last year. Sweden and Norway froze a total of \$28.5m in aid to Tanzania last week, citing concerns about the report on the tax evasion investigation being carried out by the controller and auditor general. Other donors could suspend aid as Norway and Sweden have done if the president ignored this condition, they added. *Reuter, Dar es Salaam*

## Australian strikes begin

The wave of industrial action threatened by some large union wage claims in Australia got under way yesterday. About 1,500 members of the Transport Workers' Union, which is pursuing a 15 per cent wage claim to be spread over two years, decided to strike over the weekend. Their action is targeted at supermarkets, and is expected to leave many stores without food or milk deliveries.

This could be followed by a 24-hour strike by aircraft refuellers and oil tanker drivers on Monday. The federal Industrial Relations Commission ruled yesterday that the TWU was seeking to avoid enterprise bargaining by lodging a sector-wide pay claim, and withdrew the union's right to strike on Monday without risking heavy fines. Despite this, there were indications that workers still plan to go ahead with the action. If the action does take place, it is expected severely to disrupt domestic and international airline services. *Nikki Tail, Sydney*

## Court reprieve for Tapie

Mr Bernard Tapie, the French businessman-politician, yesterday won a few days' reprieve when the Paris commercial court postponed to Monday its examination of whether his companies should be placed under court administration, a possible first step to bankruptcy.

Credit Lyonnais, Mr Tapie's main banker, forced the issue last week by blocking the account of Bernard Tapie Finance, the holding company which controls La Vie Claire, a chain of health food shops, and Testut and Terrillon, which makes industrial weighing machines. *David Buchan, Paris*

# No room in the Vietnamese inns

Scarce accommodation hinders business stormtroopers, writes Kieran Cooke

A serviced apartment building is going up on the shore of Hanoi's famous Ho Tay or West Lake. The price for a spacious, but by no means luxurious, two-bedroom flat is \$8,000 (\$5,000) a month, plus some service charges.

The rush to Vietnam is on. Encouraged by the lifting of the US trade embargo this year, foreigners are charging into Vietnam in ever greater numbers, seeking business opportunities on what many see as Asia's new frontier.

But there is little room for these stormtroopers of the business world. Hotels in both Hanoi and Ho Chi Minh City (the former Saigon) are often booked out months in advance. Room rates, although not necessarily facilities and service, are equivalent to Singapore or Sydney. Tourist arrivals have gone up from 250,000 in 1990 to a forecast of nearly 1m this year.

The pressure on accommodation is immense. "It's a bizarre situation," said one Hanoi-based foreign oil company manager.

"I'm living in a city which has 1930s facilities but I'm paying modern-day Hong Kong rents."

Property developers, led by Singaporean, Malaysian and Hong Kong-based companies, have moved in to take advantage of the dramatic upswing in the number of people seeking not only hotel accommodation but homes and offices for rent. According to official figures, joint local/foreign hotel projects worth a total of nearly \$2bn have been approved over the last two years.

Filling machines are making their way down Hanoi's narrow streets. Cranes dot the Ho Chi Minh city skyline. But the developers are not having an easy time.

One of the first problems any investor in Vietnam faces is the lack of a comprehensive system of commercial regula-



Building is going on apace but several projects have had to be abandoned

tions and law. Developers find that under Vietnamese law all land belongs to the state and cannot be sold.

Establishing title to land involves lengthy negotiations with numerous, often competing, authorities, including politically powerful local people's committees. Local estate agents may claim to have rights to the land they are selling but, in fact, they often have only doctored papers which one government department may accept and another reject.

Nonetheless, local speculators have used gold shovels during recent years to gain control of property in the hope of a foreign rush for

land and building space.

Mr Huynh Bui Son, deputy director of the Saigon Bank for Industry and Trade, says that prices in parts of Ho Chi Minh City have peaked. "Some local banks which have supported the speculators are going to get into trouble. Locals who bought at inflated prices now can't find buyers for their property."

With the absence of a proper land title system and no mortgage laws, foreign developers find that their banks are often unwilling to offer financing in such an uncertain market. Instead, companies have to rely on their own cash reserves.

Having found a site to develop, the next problem is

compensation and resettlement for those living there. Hanoi and Ho Chi Minh City are two of the most densely populated urban centres in Asia; the density in parts of Ho Chi Minh City is greater than in Hong Kong, while Hanoi's population has risen from 500,000 inhabitants in the 1950s to more than 3m today.

Foreign developers, as well as diplomatic missions and company executives, have been keen to renovate and rent some of Hanoi's crumbling French colonial-style villas. The authorities give the go-ahead but say those inhabiting such properties must be compensated.

That can be an expensive proposition. The authorities recently found that more than 1,000 families were living in 150 villas in the centre of Hanoi. Compensation claims are often grossly inflated.

Several foreign-backed projects have either been abandoned or are still only in the planning stage. Work on a French/Vietnamese joint venture project to build a hotel near the site of the Hanoi Opera House has still not started, nearly two years after winning initial approval from the authorities. A Scandinavian/Vietnamese venture to build a hotel near the city's Lenin Park has apparently run into financing difficulties.

The \$33m New World in Ho Chi Minh City, described as the southern city's largest luxury hotel, finally opened in October after six years of squabbling over land agreements and compensation claims. Some Vietnamese are wary of the foreign property developers. Officials insist that they do not want Hanoi or Ho Chi Minh City to fall into the same haphazard development cycle as cities like Bangkok. Some critics emphasise on luxury hotels and resorts, out of reach of all but a small minority of Vietnamese, while farmers have objected to precious agricultural land and water resources being used for golf courses.

Mr Peter Purcell, an Australian property developer, is managing a project to build an exclusive recreation club on the shore of Hanoi's West Lake. Although building on the project has yet to start, negotiations are already advancing \$15,000 membership fees.

Several luxury hotel developments are planned nearby. "Things take longer to do here," says Mr Purcell. "It's not like Singapore or Malaysia, where, if the authorities tell people to move off the land, that's it. Even the lowliest worker has a say. Small-scale projects are fine but I'd be wary of getting involved in any big property deal."

# S Korean opposition chief quits parliament

By John Burton in Seoul

Mr Lee Ki-taek, South Korea's main opposition leader, resigned his parliamentary seat yesterday in protest at the recent decision by the government not to prosecute two former presidents for their role in a 1979 military coup that brought them to power.

Mr Lee, who has blocked parliamentary proceedings for the last three weeks over the issue, called on other MPs to follow his example and force a general election. But analysts believe his surprise move may instead cost him the leadership of the Democratic party (DP) because some party officials regard his position as too extreme.

"He has painted himself into a corner," said one aide to Mr Kim Dae-jung, the former DP head.

Mr Lee, who has been criticised for his hapless leadership since becoming party head two years ago, sought to use the government's failure to prosecute former presidents Chun Doo-hwan and Roh Tae-woo as an issue to strengthen his position within the party. By confronting the government, he hoped to rally support behind his leadership.

Many DP members opposed the military government after the coup leaders violently suppressed a 1980 revolt in the city of Kwangju, the party's main power base. But some senior DP officials, including the party's founder Mr Kim, have urged Mr Lee to abandon his hardline attitude and resume parliamentary proceedings, which will include the scheduled approval of South Korea's membership of the World Trade Organisation.

The fate of former presidents Chun and Roh has also posed a political problem for the current President Kim Young-sam, who was an opponent of military rule in the 1980s.

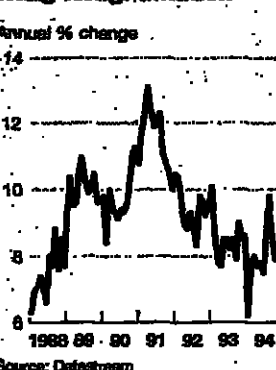
President Kim favoured leniency for the two former presidents because he feared that prosecuting them could lead to a split within the ruling Democratic Liberal party.

Prosecutors said Mr Chun and Mr Roh would not be charged with military rebellion because of their subsequent service to the country.

The majority of DLP MPs are allies of Mr Chun and Mr Roh. The DLP was created in 1991 following a merger between then-president Roh's ruling party and Mr Kim's smaller opposition group.

There have been persistent rumours that conservative MPs may soon quit the DLP and form a new party to oppose President Kim because of concerns that they will not be re-nominated for parliamentary seats in the 1996 elections.

## Hong Kong: Inflation



Source: Datastream

## Inflation in HK at lowest in six years

By Simon Holberton in Hong Kong

Hong Kong is expected to produce its lowest annual inflation rate since 1988 this year. The government has revised its inflation forecast down to 8.5 per cent for the year from a previously estimated 8.5 per cent.

The easing of inflationary pressures was not, however, seen as a harbinger of slower economic activity. The government left unchanged its forecast of a 5.7 per cent real expansion in the economy for 1994.

The revised inflation forecast came with the release of the government's quarterly economic report which showed that gross domestic product expanded by 5.4 per cent in real terms in the second quarter of the year compared with a year earlier. This was a slightly slower rate than the 5.7 per cent in the first quarter of the year.

Inflation has been one of the government's biggest political problems. Its easing appears in part to be a combination of a slower growth in personal consumption and reduced activity in Hong Kong's residential property market. Prices for flats have eased by 10-20 per cent since a package of measures was introduced to curb speculative activity.

The colony's growth rate has been propelled by a strong external trade performance. Exports, for which more recent data are available, were up 11 per cent in real terms in the third quarter, while imports were 14 per cent higher in real terms than in the previous corresponding period.

Growth in retained imports of capital goods was 17 per cent in real terms in the third quarter over a year earlier, compared with a real growth of 6 per cent during the first half.

## Measures aim to encourage purchases of imported goods

# Japan's tax reforms clear Diet

By William Dawkins in Tokyo

Japan's upper house of parliament yesterday gave final approval, as expected, for tax reforms to stimulate the weak recovery in the short term and restrain growth in state borrowing after 1997.

This fulfils a promise made by prime minister Tomiichi Murayama at the Group of Seven summit in July to cut income tax as a means to encourage more Japanese to buy imported goods and lower the world's largest and most politically contentious trade deficit.

The first part of the package consists of ¥18,500bn (\$107bn) of income tax cuts spread over

the next three years, worth ¥5,500bn annually. Of the annual total, ¥3,500bn will continue after 1997 as a permanent reduction.

In the second stage of tax reform, starting in the fiscal year beginning April 1997, sales tax will rise from its internationally low 3 per cent to 5 per cent. This is needed to finance the tax cuts, and over the longer term compensate for the shrinkage in the income tax base caused by Japan's fast-ageing population profile.

The sales tax rise is smaller than the fiscally conservative finance ministry had wanted, because of its obvious political unpopularity. However, a clause in yesterday's tax bill

empowers the government to raise sales tax by more than 5 points, depending on the state of the economy and administrative spending.

To win support, even for the smaller figure, from members of the three-party ruling coalition, Mr Murayama promised to cut spending on the public administration. His government reiterated that pledge yesterday. It planned to produce by the end of March a list of state bodies due to be slashed, merged or closed, said Mr Masahiko Komura, director general of the Economic Planning Agency.

Consumer prices in Tokyo, an early indicator of nationwide inflation, rose 1.1

per cent in November from the same month a year ago. However, most of that was caused by a freak rise in food prices.

Taking out food, the core Tokyo inflation rate was a mere 0.5 per cent year-on-year, down 0.1 per cent on October, confirming inflation continues to be almost non-existent.

One reason for this is the pressure on prices from bargain-conscious consumers, shown yesterday by a 2.6 per cent year-on-year fall in department store sales in October, the 32nd consecutive month of decline. Business, meanwhile, is expanding fast at discount supermarkets, opening up at a rate of 80 per month nationwide.

# Tokyo breaks silence over plutonium stocks

By Emilio Terazono in Tokyo

The Japanese government disclosed the country's plutonium stockpiles for the first time yesterday in an effort to increase transparency of its nuclear fuel programme.

Tokyo has long been secretive about its ambitious plutonium programme on grounds of security. However, concern over its plutonium policy was aired last year by some Japanese MPs, ahead of the British government's authorisation of the controversial launch of British Nuclear Fuels' Thorp plant at Sellafield.

They opposed the start of Thorp's operations, claiming that Japan, a leading customer of the nuclear reprocessing

plant, would be left holding excessive amounts of plutonium.

International concern over global nuclear proliferation and heightened criticism over North Korea's nuclear developments have also prompted the Tokyo government to provide more information to the public.

The stocks were listed in the nuclear energy white paper put together by the Science and Technology Agency. Agency officials said the amounts had been disclosed to reconfirm the government's plan of not holding more plutonium than the programme required.

The white paper said 1,286kg of plutonium were held in the UK and 4,511kg in France at the end of last year. Since Japan has as yet no fully

fledged commercial-use reprocessing facilities, British Nuclear Fuel and Cogema of France are reprocessing nuclear fuel into plutonium.

Of the 4,684kg held in Japan, 326kg were situated at reprocessing facilities in Tokai, north of Tokyo, and 3,358kg at the site's fuel fabrication facilities. A further 1,089kg were at the country's fast breeder reactors.

The government's announcement comes ahead of the shipment next February of high density nuclear waste originating from Japanese used nuclear fuel processed by Cogema. A total of 28 stainless steel containers of nuclear waste moulded together with glass will be shipped back to Japan from France.

# Indian police kill seven

By Shiraz Sidhu in New Delhi

Police shot dead seven people and injured 100 yesterday when they opened fire on a crowd of students in Kannur district, in the southern Indian state of Kerala.

Police said they fired at the crowd after protesters attacked the car of a visiting state minister during a demonstration by the youth and student wings of the Communist Party of India - part of widespread action against the state government's education policy.

It was the third consecutive day in which police have resorted to violence to quell

demonstrations, in unrelated incidents in different parts of the country.

At least 120 people died in a stampede in Nagpur, Maharashtra state, on Wednesday after police used batons on a group of tribal demonstrators to stop them breaking through a cordon around the state legislature. On Thursday at least two people were killed in the eastern sector of New Delhi, the capital, when police opened fire on a mob they said stoned a squad of the Delhi Development Authority as it attempted to demolish an unauthorised construction.

Maioist guerrillas in the southern state of Andhra Pradesh kidnapped a relative of prime minister P V Narasimha Rao ahead of an election rally to address yesterday, police said. Reuter reports from Warangal.

They said guerrillas of the Praja Pratigadha group, a breakaway faction of the main Maoist People's War Group, were demanding a Rs1m (\$20,400) ransom for the brother of Mr Rao's son-in-law. The Maoists defied a parliamentary crackdown on Thursday to lead a strike against what they say will be fraudulent state assembly elections on December 5.

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## NEWS: INTERNATIONAL

## Fighting in Lebanese refugee camp over Mideast peace deal

## Eight die in Palestinian gun battles

By Julien Ozzanne in Jerusalem and Reuters

Gun battles between supporters and opponents of Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, left at least eight Palestinians dead yesterday in Lebanon's biggest refugee camp.

The day-long fighting with machine guns and anti-tank rockets has sparked fears of an eruption of internal Palestinian violence among the 400,000 Palestinian refugees camped in Lebanon.

The fighting marks the spread of tension between Palestinians supporting and opposing Mr Arafat's peace agreement with Israel, and the anger about last Friday's killing of 12 Palestinians in the Gaza Strip by Mr Arafat's Palestinian police force.

It also exposes the deepening divisions within Mr Arafat's Fatah faction and more widely within the PLO, traditionally dominated by Fatah, and the mounting challenge to Mr Arafat's leadership.

Fighting broke out before dawn when 400 pro-Arafat guerrillas seized six military posts manned by 200 dissidents in the Ain el-Hilwah refugee camp near the southern port of Tyre.

The dissident group is led by Lt-Col Munir Maqad, the former military head of Fatah who was dismissed by Mr Arafat last year after he called for the PLO chairman's resignation over the peace agreement.

"The traitor Arafat has to move away from our Palestinian people," Lt-Col Maqad was quoted as saying yesterday after he described last Friday's clashes as "massacres" committed by Mr Arafat.

Armed Palestinian factions backed by Syria and opposed to the peace deal have a strong presence in Lebanon's 12 refu-

gee camps and many refugees feel the Israeli-Palestinian peace agreement has permanently ended the right of return to their homeland which has been the central rallying call of the PLO for decades.

Neither Lebanon nor Syria has so far tried to move into the camps to disarm the guerrillas. Syria, which maintains 40,000 troops in Lebanon, has also publicly criticised Mr Arafat's peace agreement with Israel.

"Syria is anxious to prove that Arafat's problems are not localised to Gaza but spread across the Palestinian diaspora nation and across the entire Arab world," said a Beirut observer.

In Gaza the militant Hamas Islamic Resistance Movement, which has blamed Mr Arafat for last Friday's killings, postponed a large rally until today. Hamas, which leads the Palestinian opposition to the peace process, said it expected 20,000 people to attend the rally to demonstrate the strength of opposition to Mr Arafat's peace deal.

Earlier in the week up to 10,000 supporters of Fatah demonstrated in Gaza.

In Israel, the prime minister, Mr Yitzhak Rabin, said yesterday by an Israeli military court to a Palestinian guerrilla from the Hamas group would be a "blunder". Mr Rabin said he opposed execution of a Palestinian sentenced to death for carrying out a bus bomb attack in April that killed six people. "To this day Israel has not put a single Palestinian terrorist to death and I think this was correct," he said.

Leaders of Hamas said the death sentence would only encourage further Islamic suicide attacks against Israelis, not deter them as the military court argued.

## Gingrich warned on role in Congress

By George Graham in Washington

The outgoing leader of the Republicans in the House of Representatives yesterday warned his successors against letting power go to their heads after their sweeping triumph in this month's congressional elections.

Mr Bob Michel, who is retiring after 38 years in the House and 14 as leader of the Republican minority, said he did not care for the plans of Mr Newt Gingrich, who will succeed him as Republican leader and take over as speaker of the House in January, to concentrate more power in the speaker's office.

"I didn't crave power when I was leader - I don't know if it would have changed if I were speaker. I just hope it doesn't go to our newly elected leaders' heads," Mr Michel told the Chicago Tribune newspaper.

"Newt knows what he's doing," Mr Michel said, but warned that the pugnacious Georgian was "more of a theoretician than he is a parliamentarian". "Overplaying your hand in the majority can lend itself to the minority in justifying itself in really sticking it to you," he said.

This is not the first time Mr Michel has bemoaned the more partisan style of politics that has taken over Congress, but his warnings to Mr Gingrich were unusually pointed. They could foreshadow clashes in style between Mr Gingrich and Senator Robert Dole, who will lead the Republicans in the Senate and who is more of a parliamentarian than the new speaker.

Mr Michel also criticised the "Contract with America", a list of campaign pledges espoused by most Republican candidates in the November 8 election, saying its promise of tax cuts without offsetting spending cuts did not add up to a balanced budget.

Mr Ray LaHood, a Michel aide who won his seat representing Peoria, Illinois, was one of the few Republicans who did not sign the contract.



Hapless commuters are being caught in the taxi rivals' crossfire

## Deaths mount as S African taxi drivers wage war

By Mark Suzman in Johannesburg

The killing of five people in Hammanskraal, north of Pretoria, yesterday during a shoot-out between South African police and warring minibus-taxi operators has added to a taxi-related death toll that has started to claim more lives than political violence.

Despite calls for calm from the government and repeated attempts by Mr Mac Maharaj, transport minister, to broker truces between rival groups, fierce competition over lucrative routes around the country has resulted in an upsurge in violent confrontation, with hapless commuters caught in the cross-fire.

Police say that 200 people have been killed this year and more than 110 injured as a result of clashes between opposing taxi organisations, dubbed locally as "taxi wars".

In large part this reflects the fact that taxi groupings are increasingly taking on criminal characteristics as shadowy operators hire hitmen to kill their rivals and destroy their vehicles. A report on the issue by the South African Police Services, submitted to parliament earlier this month, concludes that the situation is likely to deteriorate further unless there is an immediate clamp-down on lawless elements in the industry.

"Taxi associations have developed a distinctive, Mafia-like character to reach economic objectives and to counter economic threats. They frequently strengthen their power bases by using armed units which have no qualms about using violence and committing murder," the police report observes.

The spark for this year's sudden

surge in violence was the financial collapse of the South African Black Taxi Association in September 1993. Up to that point Sabta, which was formed in 1986, had been able to act as a loose umbrella for the industry's many regional associations.

It had managed to sort out many conflicts internally. But even if an attempt, currently under way, to revive Sabta is successful, it leaves unresolved the underlying economic causes of the conflict.

When the minibus industry started in the early 1980s it was hailed as an example of successful black entrepreneurship and by 1990 had managed to claim 44 per cent of the black commuter transport market.

Since then the situation has changed drastically. Although no accurate figures of its size exist, analysts estimate that the industry is worth somewhere between R500m and R800m (£295m-£450m) and employs more than 70,000 people as drivers and ancillary workers.

However, since 1990 the number of taxis has continued to grow while the number of commuters has dropped slightly because of the recession.

The result is a classic case of an overcrowded market: there are too many taxis and too few commuters.

The obvious solution for the government is to impose strict regulation on the industry, curtailing the number of operators on big routes.

However, Mr Maharaj is constrained by the fear of causing further job losses and concern that tighter regulation will merely increase the number of private taxis in operation. This would exacerbate the violence rather than help eliminate it.

## Financial teams set out to win converts

South African officials set out for the world's financial centres today to prepare for a return to foreign capital markets after a two-year absence, finance minister Chris Liebenberg said yesterday. Reuters reports from Johannesburg.

He emphasised the mission was not designed to raise funds yet, but to pave the way for future funding when

appropriate. He said the high-powered roadshow was the first opportunity the government, which took power after the country's first all-race elections in April, had had to go abroad to market the country's policies and philosophy.

The officials would use the credit ratings assigned to South Africa in October by American and Japanese risk

assessment agencies "to establish ourselves in the minds of potential investors".

Moody's Investors Service and Nippon Investors Service gave the country investment grade ratings, while Standard & Poor's gave it its top speculative ranking, with a "positive" outlook.

The ratings will enable South Africa to tap a wider range of markets and

investors than would otherwise be possible.

Mr Liebenberg said three teams of officials would travel to Europe, east Asia and the US. Apart from Mr Liebenberg, they would include Reserve Bank governor Chris Stals, deputy finance minister Alec Erwin, and labour minister Tito Mboweni.

The officials would be accompanied by represen-

tatives of Goldman, Sachs and Swiss Bank Corporation, which have been named lead managers for the country's first global offering.

The national budget for the 1994/5 fiscal year ending in March provided for R1.8bn (£337m) in possible foreign loans but Mr Liebenberg said South Africa did not need to borrow abroad to meet the budget.

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## Quebec separatist ardour cools

A military college, a trade mission to China and an ailing St Lawrence River shipyard are among the disparate issues which Quebec's newly elected separatist government has pounced on to promote its case for independence from Canada.

The steadily growing list comes as no surprise. Political observers predicted in the wake of last September's election that the Parti Québécois would waste no time shaking every tree it could to prove that the francophone province was getting a raw deal from the rest of the country.

The surprise is that the shaking has so far borne little fruit. The skirmishes have generated endless articles in the Quebec media about alleged slights and inequities. On several occasions the PQ has succeeded in putting the federal government in Ottawa on the defensive.

However, Québecois appear to be unimpressed. According to the latest opinion poll conducted by Leger and Leger of Montreal, support for sovereignty (which, in the Quebec context, has the connotation of a "soft" form of independence) has slipped to 40 per cent from more than 50 per cent before the election. Other polls put the number as low as 33 per cent.

The issues which the PQ has seized on in the past two months illustrate both the opportunities and the pitfalls of beating the separatist drum.

Even before taking office the PQ kicked up a storm over a federal plan to trim defence spending by closing the College Militaire Royal at Saint-Jean, south-east of Montreal.

The confrontational tactics of the past few months have failed to produce the desired results, writes Bernard Simon

The college is the armed forces' only training centre for French-speaking officers.

Quebec's protests have forced Ottawa to offer a compromise, which would allow the facility to stay open as a language school. The PQ has rejected the proposal. It has offered instead to pay itself for St-Jean to remain a military training college. But by doing so it has laid itself open to concerns that it is preparing to organise a Quebec army.

On another front, Mr Jacques Parizeau, PQ leader and premier, refused to join a trade mission to China earlier this month which was led by prime minister Jean Chrétien and included the premiers of all nine other provinces.

Mr Chrétien at first appeared on the defensive by refusing to accept Mr Parizeau's suggestion that Quebec's deputy premier go in his place. In the end, however, the mission's success - including contracts signed by several high-profile Quebec companies - did the separatist cause no good.

The latest fuss has erupted over the future of MIL Davis, a Quebec City shipyard. The company is on the point of collapse, unless it receives new government contracts or an infusion of cash for a modernisation programme.

The cash-strapped federal government, in keeping with a policy of letting troubled busi-

nesses sort out their own problems, has so far declined to come to the shipyard's rescue.

The PQ has lambasted Ottawa for putting 2,300 Quebec jobs in jeopardy, and has offered to put up \$360m-£70m (£23m-£42.7m) of its own taxpayers' money for a new ferry, which would keep the shipyard in business for at least the next few years. Mr Michel Vennart, a lawyer who heads the Council for Canadian Unity, says that "the population knows that they [the PQ] are fabricating these issues to some degree. I don't think the mood of the province is to pick fights."

Another observer suggests that Québecois are as fed up as English-speaking Canadians with the interminable debate over the francophone province's place in Canada. This view is reflected in the refusal of both Mr Chrétien and the provincial Liberal party, which was defeated in the recent elections, to assuage Quebec nationalism by reopening the constitutional talks which have been a hallmark of Canadian politics for the past decade.

Despite his apparent inability to win converts to independence, Mr Parizeau has so far stuck to his pre-election promise of a sovereignty referendum before the end of 1995. The PQ is gearing up its organ-

isation for a campaign starting early next year.

But there is a growing feeling in Montreal that the separatists may be forced to change tack if the confrontational tactics of the past few months fail to produce results soon.

The party has long been divided between hardliners and those who favour a more cautious drive towards independence. Among the latter is Mr Lucien Bouchard, leader of the Bloc Québécois, which represents the separatist cause in the federal parliament. Mr Bouchard, the most popular politician in Quebec, has already hinted he is uncomfortable with the referendum deadline set by Mr Parizeau.

However, a shift in strategy would require some agile footwork by Mr Parizeau, and could risk deepening divisions in the party. The alternatives include delaying the referendum, or framing the question so vaguely that even a Yes vote would fall far short of a mandate for outright independence.

Some political observers suggest that the PQ may even adopt a more conciliatory approach to the rest of the country. This prediction is reinforced by the impression that last September's election result reflects Québecois' desire for better government and some extra areas of provincial jurisdiction, rather than the risks of independence.

Whatever course the PQ chooses, one conclusion is hard to escape. It seems increasingly unlikely that Canada's most vexing question - will Québec stay or leave? - will be conclusively answered within the next 12 months.

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## NEWS: UK

# MPs reject brewers' call for cut in duty

By Frederick Oram,  
Consumer Industries Editor

A Commons committee of MPs yesterday rejected on economic and health grounds a call by brewers to halve beer duty to curb cross-channel imports and stimulate flagging UK sales.

The Treasury select committee said imports of alcohol and tobacco were "not seriously undermining receipts of excise duty". But it cautioned Mr Kenneth Clarke, the chan-

cellor, against widening the differential between UK and Continental duties.

The MPs' report on cross-channel shopping expressed doubt about the brewers' case. They had argued that the loss of UK beer sales was damaging pubs and off-licences. A cut in duty would revive sales, they argued.

Cross-border shopping is "clearly having a serious impact on the activities of legitimate traders," the MPs said. But "changing consumption

patterns, however, make it exceedingly difficult to isolate the loss of sales directly attributable to cross-border shopping". Claims that there is a link "have to be treated with considerable caution".

Moreover, brewers' costs and margins have driven up the price of beer, the MPs said. "Until it addresses these issues, the industry cannot expect the taxpayer to subsidise its operations by reducing excise duties."

On health grounds, a government

could never consider a large cut in duties if they led to increased consumption of alcohol and tobacco, the MPs said.

They recommended, instead, that the government seek to persuade Continental governments to raise their taxes to make cross-border shopping less attractive.

The report drew an angry response from Whitbread, one of the brewers which has been leading the campaign.

"They're a set of wishy-washy

recommendations from a rushed inquiry which failed to get the facts," said Mr Peter Jarvis, chief executive.

The government has already said it is unwilling to cut excise duties. The chancellor indicated in last year's Budget that alcohol duties were unlikely to rise faster than inflation.

The MPs found a closer link between tobacco imports and damage to the domestic industry, most particularly in tobacco for hand-

rolled cigarettes. Tobacco accounted for the "vast bulk of smuggled goods" and the high profits had attracted "serious criminals".

The MPs recommended that the Customs service deploy "substantially increased" staff to try to stem the illegal import of alcohol and tobacco.

The National Union of Civil and Public Servants warned yesterday, however, that the Budget next Tuesday would include proposals to cut 4,000 jobs out of the service's 25,000.

## Adams steps up pressure for talks

Mr Gerry Adams, the Sinn Féin president, has stepped up his efforts to force the pace of the Northern Ireland peace process. He sent a letter to Mr John Major setting out his agenda for talks between the British government and Sinn Féin, David Owen and John Murray-Brown write.

He said he had written to the prime minister to ensure there was "no confusion or time lost over arranging such matters as delegations, venues and times". He added: "All of these issues can and should be sorted out now."

Downing Street yesterday confirmed that Mr Major had received the letter but officials were not sure whether he had had time to study it. They said the government would move ahead with talks "at the pace it determined to be correct". Ministers have said a preliminary dialogue with Sinn Féin would begin before Christmas, provided the near three-month-old IRA ceasefire held. Talks with loyalist political representatives would start soon afterwards.

Mr Adams told Downing Street that the Sinn Féin team in the talks would be led by Mr Martin McGuinness, a vice-president. He said that the ground to be covered should include "demilitarisation and other issues".

A week ago Mr Adams accused the government of dragging its feet on efforts to forge a lasting settlement in the province.

Yesterday Mr Pat Doherty, another Sinn Féin vice-president, speaking at Dublin's Forum for Peace and Reconciliation, called on both London and Dublin to convene all-party talks to find a settlement.

Fine Gael, the Irish republic's main opposition party, said explosives and guns had to be decommissioned before full political talks involving Sinn Féin could start.

## Company failures continue to fall

Company failures continued to fall in the third quarter, figures from KPMG Peat Marwick, the accountancy firm, show. A total of 6,140 bankruptcies was recorded in the quarter, a fall of 14.4 per cent compared with the same period last year. Liquidations fell 15.3 per cent to 3,623.

The recovery recorded by KPMG is not even across the country. The north-east saw a fall of nearly 20 per cent in liquidations between the second and third quarter while the Midlands and north-west saw increases.

Mr Tim Hayward, head of corporate recovery at KPMG, said: "A year ago the recovery was at a very fragile point; there is a more robust feeling in the economy now and companies, with the support of their banks, are gearing up for an improving economy."

## Royal household to publish accounts

Buckingham Palace is to publish annual accounts detailing how £20m of taxpayers' money is spent running royal palaces. The first annual report will be published in July.

This follows a call by the Commons public accounts committee in September for greater "public visibility" of how public money was spent at the royal palaces. Yesterday the government recommended publication of the royal household's annual accounts.

The palace said the royal household had nothing to hide and would be delighted to publish a full annual report.

## Gas boss's pay 'adds £1.6m to pension cost'

By William Lewis

The £205,000 pay rise recently awarded to Mr Cedric Brown, chief executive of British Gas, has increased the cost of providing him with a company pension by about £1.6m, according to a study.

Mr Bryn Davies, an actuary who advises trade unions on company pension schemes, said the current value of Mr Brown's future pension payments was £3.9m, compared with £2.3m before he received the 75 per cent rise in basic pay.

Mr Davies said: "The value of his expected pension, like his pay, has gone up by more than 70 per cent. I have calculated that his pay increase has pushed the worth of his pension benefits up by a further £1.6m."

Details of Mr Brown's pay rise emerged last week. His basic pay has been increased to £475,000 from £270,000. Other executive directors of British Gas received rises of up to 50 per cent.

Mr Brown is a member of the British Gas staff pension scheme which provides pensions depending on members' earnings just before they retire.

Mr Davies's calculations assume that Mr Brown, 59, will retire in just over two years' time. British Gas said that he

had at least 35 years' pension scheme service.

Mr Brown contributes 4 per cent of his basic salary into the scheme each year, so his £205,000 pay rise means he will be paying more into the pension fund.

Asked to comment on Mr Davies's calculations, British Gas said yesterday that Mr Brown was a member of "a group pension scheme with a common contribution rate so we do not define the costs for individuals".

Sir Anthony Beaumont-Dark, chairman of TR High Income Trust which holds 400,000 British Gas shares, said he would be writing to British Gas asking for an explanation for the increased pension costs.

He said: "If we do not get a satisfactory response then we will consider using our votes in the appropriate manner at the company's annual general meeting."

Trade union officials representing industrial workers at British Gas have submitted a claim for a pay rise next year.

Mr Donald Macgregor, a senior GMB union official, said yesterday that it was likely that Mr Brown's pay would affect negotiations. He said: "It is inconceivable that such over-the-top treatment for a chief executive can be ignored by industrial employees."



## Trident submarine escapes protest net

Greenpeace protesters yesterday tried to stop the nuclear submarine HMS Vanguard from leaving its dock at Faslane near Glasgow as it was moving to a nearby dock at Coulport to have its Trident II nuclear warheads loaded for the first time, Bernard Gray in Faslane writes.

A Greenpeace tug, Solo, and inflatable rafts tried to block Vanguard's path through a narrow channel in Gare Loch, which leads into the river Clyde. The protesters also attempted to tie a fishing net across the bows of the submarine. The net was removed by Vanguard crew members (above).

Vanguard, Britain's first Trident submarine, was en route to Britain's main nuclear weapons storage base at Coulport. The submarine has completed its trials and nuclear warheads are being

added to its missiles in preparation for its first deterrent patrol due to start in the next few weeks.

A small group of anti-nuclear protesters also demonstrated outside the gates of the Faslane submarine dock as Vanguard began its early morning voyage which marked the start of its effective operational deployment.

To load the warheads on to Vanguard's missiles, the 16,000-tonne submarine, which is almost as large as the Invincible class aircraft carriers, will

be raised out of the water on a giant 85,000-tonne floating dock and shiplift. Raising the boat will take several hours.

The delicate task of fitting the warheads will begin today and last until the middle of next week. The floating dock and shiplift are needed to provide maximum stability and to avoid an accident while loading the plutonium-powered, thermo-nuclear bombs.

After completion of final tests once the warheads are fitted, Vanguard will

begin its first operational patrol, replacing one of Britain's two remaining Polaris nuclear submarines.

Cdr Peter Wilkinson, who will captain Vanguard's first patrol, said he was "well aware of the awesome responsibility which [he] carried". He added that in spite of the end of the cold war the nuclear deterrent fleet carried out its mission exactly as it had always done.

Cdr Wilkinson acknowledged, however, that following an agreement between Mr John Major, the prime minister, and President Boris Yeltsin of Russia, the submarine's missiles were aimed on an empty spot in the ocean. Switching the missiles to military or civilian targets would take "a finite amount of time". Just how finite was not made clear. Photograph: Reuter

## Postal sell-off lacked fan mail

By David Owen

Only a small fraction of responses to the government's consultation paper on the Post Office were in favour of privatisation, Mr Tim Eggar, industry minister, disclosed yesterday.

Mr Eggar said in a parliamentary written answer that about 60 responses - or less than 0.4 per cent of the 15,400 received - were "positively in favour" of full or partial privatisation.

He said most replies took the form of "standard form" letters and postcards issued by organisations campaigning against the government's proposals.

Ministers were forced to this month to cancel plans to privatise the Royal Mail letters division of the Post Office because of the implacable opposition of a small number of Conservative backbenchers.

Mr Eggar was replying to a question by Mr Gordon Prentice, Labour MP for Pendle. Labour has indicated it intends to inflict fresh embarrassment on the government by inviting Tories who opposed a sell-off to back a Commons motion giving the Post Office greater commercial freedom.

## Fayed cleared over allegations of blackmail

By John Mason,  
Law Courts Correspondent

Mr Mohamed Fayed, chairman of Harrods, was cleared yesterday of allegations that he attempted to blackmail the government in the controversy over MPs accepting money to ask parliamentary questions.

The Crown Prosecution Service announced there was no evidence Mr Fayed had committed any criminal offence, and that police would not investigate further.

The allegations centred on a meeting on September 29 between Mr John Major, the prime minister, and an intermediary widely believed to be Mr Brian Hitchen, the Sunday Express editor.

The intermediary said Mr Fayed wanted a meeting with Mr Major to discuss the Department of Trade and Industry report on the takeover of the House of Fraser. He was also said to be contemplating passing on allegations about the conduct of ministers.

Mr Major told MPs he had passed a note of the meeting to the prosecution service.

The CPS said: "Having considered the available evidence... it does not disclose

the commission of any criminal offence by Mr Fayed."

Mr Fayed, who later made a series of allegations about Tory MPs through The Guardian newspaper, said: "Allegations were made about me... that were unfair and untrue and to which I could not respond during the currency of the inquiry. I trust that the prime minister will take the earliest opportunity to set the record straight."

Mr Fayed's cash-for-questions claims against Mr Neil Hamilton, corporate affairs minister, forced him to resign although he denied the allegations. They also led to the resignation of Mr Tim Smith, a junior Northern Ireland minister, after he admitted not declaring links with Mr Fayed.

Mr Michael Howard, the home secretary, and Mr Jonathan Aitken, chief secretary to the Treasury, were both cleared of any impropriety by an inquiry carried out by Sir Robin Butler, the cabinet secretary.

Mr Peter Preston, The Guardian's editor, said: "I never thought there was anything to this except another wild diversion - I am glad this has now been acknowledged."

## Judge lets Lloyd's probe continue

By John Mason,  
Law Courts Correspondent

Regulators from Lloyd's, the insurance market, can continue with their loss review into syndicates 80 and 843, a High Court judge ruled yesterday.

Mr Justice Macpherson dismissed an application by Mr John Macmillan, the former underwriter for the syndicates, for the review to be stopped.

Mr Macmillan said that if the loss review continued, it would prejudice the civil case brought by Names - the individuals whose assets have traditionally supported the market - against his managing agency, RAF Macmillan. He said transcripts of his interviews could be used as evidence in court.

The judge ruled, however, that the public interest in the review being completed outweighed any possibility that the civil action might be prejudiced. He said there was no risk of serious prejudice being caused and that publication of the interviews might assist all concerned in the action.

About half of the 1,050 Names on the two syndicates are suing the managing agents

Lloyd's of London has appointed Mrs Rosalind Gilmore, chief executive of the Building Societies Commission, as director of its regulatory services department, Ralph Atkins writes.

Mrs Gilmore, who has previously worked at the Treasury and the World Bank in Washington, will be responsible for overseeing Lloyd's system of self-regulation. The 200-strong department also oversees litigation - a sensitive issue given that Lloyd's is embroiled in several legal disputes with loss-making Names.

Lloyd's would not comment on her salary, but according to the insurance market's latest annual report her predecessor earned between

£130,000 and £140,000 last year, including performance related bonuses and other benefits. A spokesman at the Building Societies Commission, the statutory regulator and supervisor of UK building societies, said Mrs Gilmore's current salary was a little over £90,000.

At the Treasury Mrs Gilmore ran the financial institutions division that was responsible for legislation including the 1979 Banking Act. She was appointed a non-executive member of the Securities and Investments Board last year. Mrs Gilmore succeeds Mr Bob Howes who was appointed Lloyd's finance director earlier this year.

review when legal actions are running in parallel. The judge said issues of possible prejudice would have to be considered in each case.

The loss review department is carrying out seven reviews.

Lawyers for Mr Macmillan were yesterday considering an appeal against the ruling.



## SPOT THE REFUGEE

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## Adams steps up pressure for talks

Mr Gerry Adams, the Sinn Féin president, has stepped up his efforts to force the pace on the Northern Ireland peace process. He sent a letter to the Irish Prime Minister, John Major, setting out a deadline for talks between the British government and the Irish Republican Army (IRA).

Mr Adams said he had written the letter to ensure the peace process was not delayed. He added: "All of us want peace and should be working towards it now."

Mr Adams said the letter was a "wake-up call" to the British government. He said the IRA was ready to talk but the British government was not. He said the IRA was not a terrorist organisation and was a political organisation.

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## Royal household to publish account

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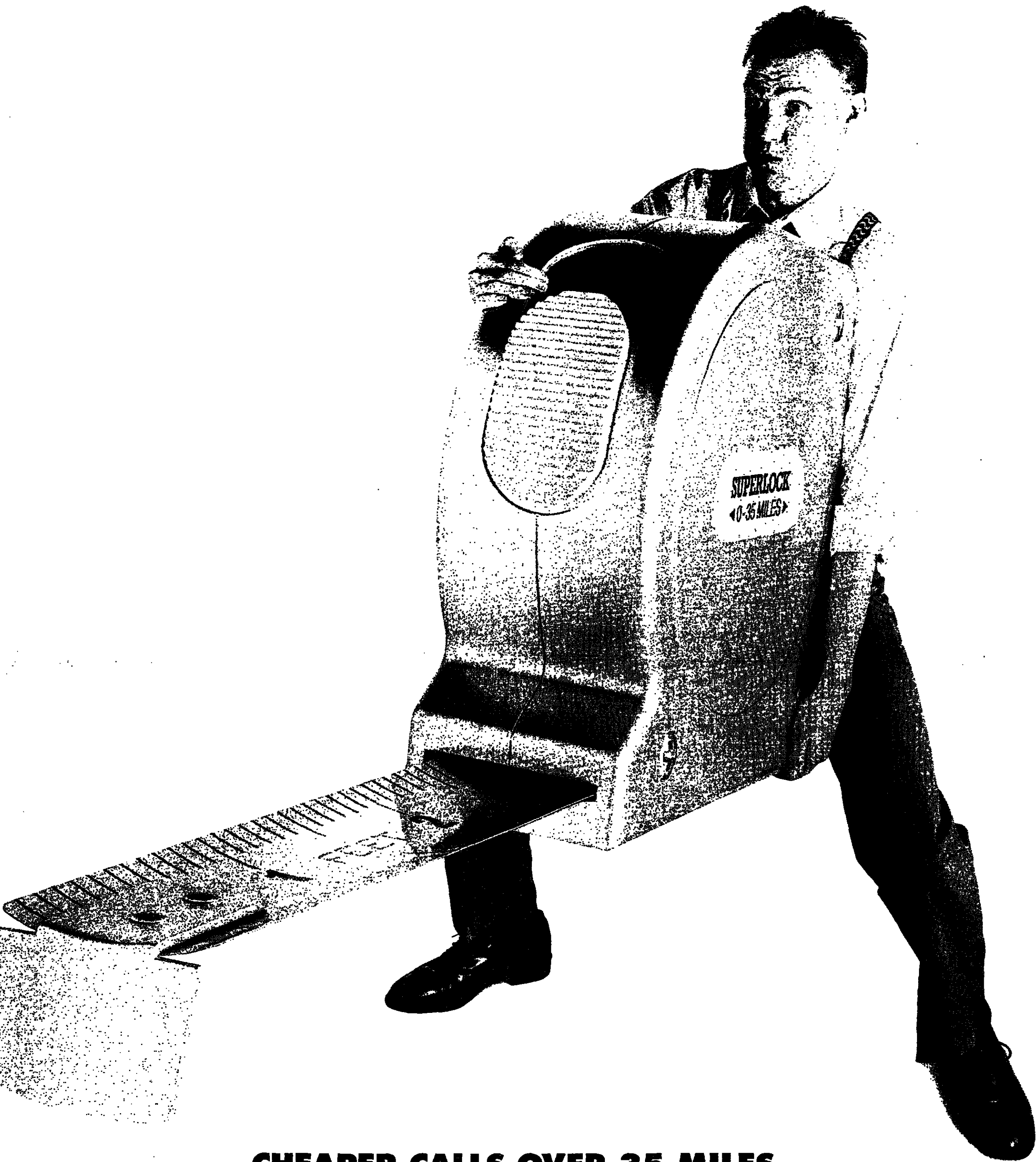
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## NEWS: UK

# Collapse of bus group prompts MMC probe

By Charles Batchelor and Chris Tighe

The Monopolies and Mergers Commission is to investigate bus services in the north-east of England after the collapse of the municipally owned Darlington Transport two weeks ago.

Sir Bryan Carsberg, director-general of fair trading, yesterday called for an investigation of services in the area. The commission will have six months to make its report to Mr Michael Heseltine, trade and industry secretary.

The Office of Fair Trading emphasised that the investigation would look at all bus services, but Sir Bryan said he was particularly concerned about an offer of free fares by Busways Travel Services, part of Stagecoach Holdings. This was one of the reasons for the demise of Darlington Transport, which is in administration.

The monopolies review represents another clash between Stagecoach and the competition authorities over the tactics adopted by the Perth-based company to further its ambitious expansion plans.

The OFT has launched a number of investigations into potential monopolies in the bus system since the de-regulation of the industry outside London in 1985. Stagecoach, the biggest UK bus operator, has been subject to 20 investigations and received three adverse rulings.

Mr Brian Souter, Stagecoach chairman, denied that the company was anti-competitive and

said he welcomed the monopolies inquiry in the north-east.

He said: "Our aim is to increase bus usage by improving the service quality for passengers. We do this by investing in new buses, offering a comprehensive network and introducing new services and selective discounts."

The OFT said the investigation would look at competition between bus companies in Tyne and Wear, County Durham and Cleveland following complaints from other bus operators about Busways.

The allegations include predatory pricing and putting excessive numbers of buses on a particular route to force competitors to withdraw from the market in Darlington and South Shields.

Sir Bryan said: "I believe that [the Busways free fares] offer may have contributed to the decision of Darlington Transport to cease operating. Efficiency of operation should determine who should provide the service, not possession of the resources to out competitors."

Mr David Walsh, chairman of Cleveland County Council's transport committee, called for a meeting of local bus companies to avoid "a full-scale war" in the county.

If the MMC finds that there is a monopoly which acts against the public interest Mr Heseltine has the power to order the abuses to be remedied or to ask the OFT to obtain undertakings from the offending company that it will not be repeated.

## Accounts bodies' merger supported

By Jim Kelly, Accountancy Correspondent

The controversial Bishop proposals for the restructuring of the accountancy profession yesterday won support from surveys of two of the leading representative bodies.

Research by the Institute of Chartered Accountants in England and Wales showed that 73 per cent of its members were in favour of merging some of the six professional bodies.

In order to achieve reorganisation, 58 per cent were willing to share the respected title of "chartered accountant". The strongest opposition came from recently qualified members under 35.

The Chartered Institute of Management Accountants (CIMA) will publish a survey on Monday showing that 90 per cent of its members want to see a reduction in the number of bodies.

A similar proportion want the current negotiations under the committee chaired by Mr David Bishop to continue.

Both surveys while indicating support for ending the confusion and rivalry between the six bodies, point to some obstacles ahead.

Mr Roger Lawson, president of the chartered institute, said the concerns of younger members needed to be considered. "They are looking for further reassurance, particularly in the area of education and training, before they will willingly share the title of chartered accountant," he said.

The CIMA survey shows that 74 per cent want to make sure the audit profession does not dominate management accounting in any new institute. And 59 per cent said they would wish to be called chartered management accountants after restructuring.

## Tackling the numbers problem

Jim Kelly on the profession's troubled search for cohesion

To the public, accountants are all the same. Proof of this can be seen on a video being shown at a series of accountancy conferences.

In it people are waylaid in the street and asked what they know about accountants. The answer is very little, beyond a vague idea that the "chartered" ones are trained.

Given this public perception of unity it is ironic that the profession is spending a great deal of time and money trying to achieve a cohesion most people think it already has.

But leaders of the profession are worried that this vague recognition is not enough. They want a "single voice", and a strong lobbying group, to fight against government intervention and steer the profession towards unity in the next century.

The present structure of the accountancy profession is anything but uniform. There are six professional bodies, six presidents, different training schemes, different qualifications, different headquarters, and different styles.

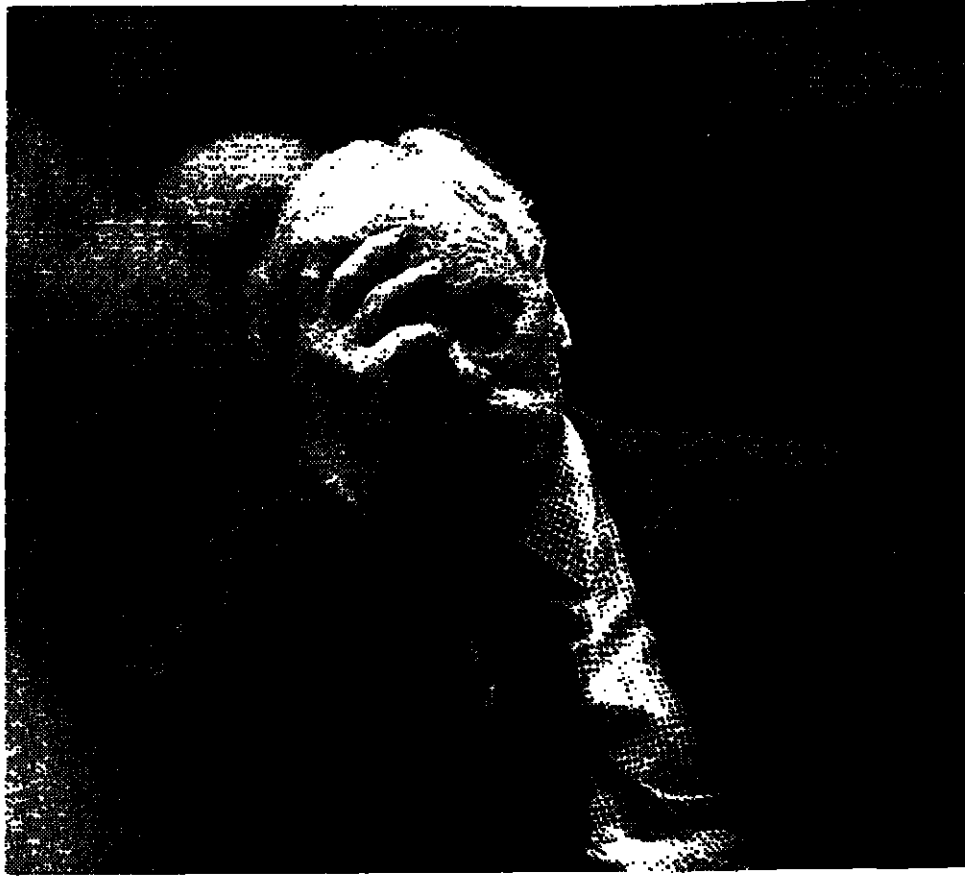
As Mr Tom Glancy, president of the Chartered Institute of Management Accountants, told a meeting in Solihull earlier this week on proposals to merge the bodies: "It's like six cats hissing over their territory."

The meeting was one of a series of "pan-professionals" discussing broad proposals for merger, common qualifications, and training.

The mood of the meeting - which was probably more positive towards merger than others held in London and Leeds - was best summed up by Mr David Bishop, the chairman of the working party which produced the principles.

He said: "We can't stay where we are. We can agree on where we want to go. What we can't agree is how to get there."

By the end of the meeting there was widespread agreement that accountants differed



Losing count: An accountant reflects the mood of the profession at a meeting to discuss reform

more within their separate organisations than between them. The principle of rationalisation seems to be widely accepted. The details may yet prove intractable.

Mr Roy Loader, a former west Midlands president of the Institute for Chartered Accountants in England and Wales, said that keeping up standards was the big issue. There might be a "dilution" of standards in a merger.

This produced the most awkward moment of the evening. Heads were shaken in embarrassment and eyes turned heavenwards. Mr Bishop, a certified accountant and a member of the Financial Reporting Council, pointed out: "We have been developing these standards together."

Mr David Delves, a practitioner from Birmingham, complained that the process had been "top down and not bottom up. I can see nothing in it for me - am I missing something?"

Mr John Sarrington, a management accountant from Corby, said: "Will the remaining bodies go on if one of the bodies says no?" Mr Bishop refused to be drawn but pointed out that "they are still all at the table".

Mr Bob Fisher, a chartered accountant from Solihull, said a better job was needed on propaganda as members had been allowed to "wallow" on the issue. "If we don't get together we shall fail the future and fail our country," he said.

Mr Martin Heathcock, from

Stourbridge, a chartered accountant as a partner, said: "I am very much in favour of these proposals." He won the loudest applause of the evening.

Mr Mike Robinson, from Wolverhampton, immediate past president of the chartered institute's district branch, said the damage had been done by the press, which portrayed the so-called Bishop plan as dead.

A warning was left by Mr Michael Heseltine, secretary of state for trade and industry, whose booming voice overlaid the beginning of the conference video, exhorting accountants to speak with a single voice but adding with exasperation: "I have been saying this for 20 years."

## Hotels find room for optimism

By Michael Stapininko, Leisure Industries Correspondent

The confidence of hoteliers rose markedly in the third quarter, boosted by an increasingly optimistic outlook in Northern Ireland, according to BDO Hospitality Consulting.

The proportion of hoteliers who were optimistic or very optimistic about the next three months rose to 80.5 per cent,

compared with 73.8 per cent in the second quarter.

The consulting group said the figures had been lifted by the ceasefire in Northern Ireland. All respondents to the survey in Northern Ireland said they were optimistic.

More than three-quarters of UK hoteliers said they expected to increase their room rates in the next year.

Most said their revenues were ahead of the same period

last year, although 13.2 per cent said revenues had fallen.

Business travel was the main reason for the revenue rise. Three-quarters of hoteliers said business travel revenues were higher than last year.

Fewer than half reported a rise in revenues from leisure travellers.

Staff numbers increased in 30.3 per cent of hotels in the third quarter but fell in 14.5

per cent. Although 31.2 per cent of hoteliers said they expected employee numbers to rise in the fourth quarter the proportion expecting to cut staff rose to 23.4 per cent.

The consulting group said that while the high proportion of establishments planning to reduce staff numbers was partly seasonal, hoteliers were showing greater readiness to lay employees off during slack periods.

## Disabled may get cash in lieu of community care

By Andrew Adams, Public Policy Editor

The government yesterday announced plans to devolve some of the funding for disabled people from local authorities to recipients of services, allowing them to purchase their own care for the first time.

Mrs Virginia Bottomley, health secretary, said cash payments would initially be limited to "a relatively small group, probably those disabled people who are able and willing to manage their care".

The devolution of funding will require legislation, and

could pave the way to a more radical shift of funding as an extension of the government's care in the community programme.

The funding proposal follows the announcement earlier this week of legislation to protect disabled people against discrimination at work.

Mrs Bottomley said the funding legislation would be permissive, enabling but not obliging local authorities to make direct cash payments to some disabled people in lieu of community care.

She said: "Direct payments are a logical extension of the Citizen's Charter. They will

give disabled people greater independence and choice and involve them and their carers more fully in their own care."

She conceded, however, that the making of direct payments "carried some risks". Local authorities will be given responsibility for deciding whether to make payments. "There will be no overlap with social security benefits," she added.

The health department refused to be drawn on the amount it would like to see devolved to individuals, stressing that it still had to consult with "key interests to make sure the details are right".

He said: "What I have been saying to Crouch is build up contacts with businesses in Iraq if you want, so when sanctions are lifted you are in a position to go."

Reports of these growing business links drew an angry response from the Iraqi opposition last night.

Mr Hoshy Zehari, an executive council member of the Iraqi National Congress, the main opposition grouping, said: "Trade delegations by British and other European businessmen are very detrimental to the cause of the majority of the Iraqi people. This kind of business-as-usual attitude has encouraged Saddam to go to war in the past."

He said: "It seems to be a complete sham. There must be a full, frank and public explanation about how this farce has been allowed to come about."

## Moves to cut London Jobcentre staff

By Robert Taylor, Employment Editor

Staff in the government's employment service in London and the south east are being urged to take unpaid leave over Christmas or cut their working hours because of over-spending in the service's budget and the drop in the volume of work because of falling unemployment.

Mr David Lifton, the service's deputy regional director, says in a letter to 11,500 Jobcentre staff that the situation

has arisen "because the numbers of unemployed in the region have fallen much faster than anticipated".

Mr Lifton told staff that the service will have to shed staff because of the continuing fall in unemployment.

He adds that the service has laid off 750 casual staff as a cost-cutting measure but is replacing them with staff from offices outside London who are staying at hotels and given travel allowances and £20 per day expenses.

The abolition of casual

worker contracts is aimed to contain spending and match staff levels more closely with workloads. Paid overtime has also been ended.

The London and south east region is offering a number of options for staff who might be considering work breaks or a reduction in their working hours. This can involve unpaid leave from December 5 to January 5, unpaid leave during January to March, or a cut in hours and/or the possibility of a job share.

A spokesman from the

Department of Employment said no other region was suffering from the same problem as London and the south east.

Mr Ian McCartney, Labour's shadow employment minister, accused Mr Michael Portillo, the employment secretary, of being "unable to manage the spending of his own department".

He said: "It seems to be a complete sham. There must be a full, frank and public explanation about how this farce has been allowed to come about."

### OBITUARY

## Bill Whitbread: leading brewer

Colonel Bill Whitbread, who has died aged 83, was one of the leading family brewers of the 20th century.

While typifying the old family brewer of an earlier age - a landowner with a love of hunting, shooting and riding - he took his family business into a more modern age with a joint in the 1950s and 1960s.

As chairman of Whitbread & Co from 1944 to 1971 he reorganised the company's antiquated financial structure and devised a shareholding formula, based on A and B shares and a separate investment company, which preserved family control while providing for the injection of much-needed capital.

He invented the "Whitbread umbrella" - a series of equity capital exchanges which enabled more than 30 family brewing companies threatened by takeover to shelter under Whitbread's wing. Later, when circumstances forced the abandonment of the umbrella, he led his company in a deter-

mined strategy of acquisition, rationalisation of productive capacity, and the establishment of national beer brands.

Whitbread was the great-grandson of Samuel Whitbread, who founded the company in 1742, and the son of H.W. "Harry" Whitbread. Educated at Eton and at Corpus Christi College, where he studied history, he trained as a brewer at Truman Hanbury Buxton in Burton-upon-Trent (1911-23), then worked at Fisons' Theftford maltings before going to Whitbread headquarters at Chiswell Street, London, in 1924.

He became a managing director in 1927 and served on the board until 1979. The year 1937 was significant for the company because Whitbread embarked on a big expansion in south-east England by acquiring three Kentish breweries and the Mackeson stout brand.

His absence on military service during the second world war weakened the company's

management when British brewing was required to maintain its output with depleted manpower and depreciated capital resources.

It was in the difficult post-war years that "Col Bill" came into his own. In 1948 he steered through the reorganisation of the company's capital. A quarter of the equity was placed on the market by Barings and Schroders. Six years later Whitbread Investment, a wholly owned subsidiary, was established to acquire the umbrella shareholdings. This became the vehicle for the directors' retention of a controlling interest in the expanding company.

Described by the company's historians as a "fireball", Whitbread could be impatient and rude. Perceptive about the industry, but strongly wedded to family loyalties and paternalism, he needed a foil. This he found in F.O.A.G. "Alex" Bennett, who succeeded him as chairman in 1971.

The Whitbread-Bennett part-

nership set the company on the right road in the turmoil of mergers and acquisitions which characterised the industry from the late 1950s to the early 1970s.

Under Whitbread the company was transformed from a relatively small, under-capitalised concern - in spite of its claims to "national" status - to one of Britain's big six brewers. The umbrella certainly protected the independence of some companies. For others, it was the first step to full merger with Whitbread in the more competitive conditions of the 1960s. More than 23 companies were acquired in the period 1961-71.

The merger programme strained the company's management resources, while the acquisition of numerous small productive sites necessitated a comprehensive programme of rationalisation. Yet while the company had to transform its organisation to match its growth, it always had a reputation for sound management.

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Meanwhile, a third security house, Kleinwort Benson, also increased its GDP forecast for next year, but only to 2.5 per cent from 2.2 per cent.

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## FINANCIAL TIMES

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Saturday November 26 1994

## Safety first, chancellor

The UK Budget ought, in normal circumstances, to dwarf in significance any parliamentary event that occurs in the same week. This should be even truer now that plans for spending and revenue are announced in one burst of parliamentary fireworks. Yet next week's display will start not with the Budget, but with the Conservative party's flirtation with collective suicide on Monday.

If the government were to lose the vote on UK contributions to the European budget, Mr Kenneth Clarke's day would become a damp squib. People's thoughts would turn at once to the Labour party's shadow budget for "investment, jobs and fairness". Yet Conservatives believe in self-interest. It seems implausible that this motivation will desert them altogether on Monday, Tuesday's Budget will probably still matter.

Mr Clarke has a good story to tell and will tell it with gusto, for in every important respect economic performance has been better this year than the Treasury forecast a year ago. Then gross domestic product was expected to grow by 3½ per cent in 1994, but it grew 4½ per cent in the year to the third quarter. The retail price index (excluding mortgage interest) was forecast to rise 3½ per cent in the year to the fourth quarter of 1994, but it has risen only 2 per cent in the year to October, and then the public sector borrowing requirement for 1994-95 was forecast to be £38bn, while the Institute for Fiscal Studies and Goldman Sachs now forecast it at a little over £30bn.

It is a great story. But it also opens a deep trap. The better the economy is performing and the greater the government's popularity, the bigger the temptation to bribe the electorate with dollops of its own money. Once again, there would be large tax cuts at the peak of an expansion. Once again, the necessary tightening of monetary policy would either be postponed or be too little. Once again, a golden opportunity to sustain stable growth would be thrown away.

### Higher inflation

From the gap between the yield on conventional and index-linked gilts, investors expect inflation to average 4½ per cent in the medium term. For them, therefore, this is another post-recessionary housewreck, with higher inflation to follow. Obtaining growth after a recession is no miracle. But sustaining growth over many years would be miraculous.

The currently unsustainable rate of growth, far from justifying postponement of the tax increases due next financial year, makes them still more important. There is no reason to suppose that the underlying trend rate of economic growth is any faster than was thought a year ago. All that has happened is that the economy is returning to its (unavoidably uncertain) full-capacity level faster than was then expected. Correspondingly, the fiscal position is also improving more quickly than then imagined.

### Fiscal tightening

There are three reasons why there should be no discretionary reversal of the planned fiscal tightening. The first is that on plausible conservative assumptions about full capacity - the level of output at which inflation would remain stable - the public sector borrowing requirement would still be about 3 per cent of gross domestic product at that point. This is the most that would appear sustainable in the long term. If anything, the UK should run a tighter cyclically adjusted PSBR than that.

Second, it cannot be sensible to approach full capacity at a growth rate of more than 4 per cent a year. Should the further fiscal tightening due next financial year prove too contractionary for the economy, offsetting reductions in interest rates (or, more probably, slower increases) can always be made. Such a further rebalancing would, in fact, be desirable.

Finally, if there are to be the usual electioneering bribes in the 1995 and 1996 Budgets, they need to be made from a more than sustainable base. While there is no good economic reason to raise taxes one year only to lower them a year later, it may still be necessary to raise them if the subsequent lowering is politically pre-ordained. This is, admittedly, to treat voters as idiots, but maybe they deserve that treatment.

So Mr Clarke should blow the government's trumpet, stick to his announced plans for tax increases and focus attention on imaginative ideas for fiscal reform. The treatment of savings is a mess. It would be good to wrap tax-exempt special savings accounts (Tessas) together with personal equity plans (Peps). It would be wonderful if the incentives for the unemployed to work were to be improved. It would be still more remarkable if the chancellor were to avoid introducing more of the distorting gimmicks that all chancellors love.

Such fireworks are optional. What is essential is for the chancellor to avoid falling into the trap of excessive stimulus that engulfed so many predecessors. He made the right decisions last time. He should stick to them this year.

The government finds itself trapped in a political world where a statement of the obvious becomes an extraordinary cabinet suicide pact: where behind every cock-up lurks a dark conspiracy.

Rightwing plotters tour the lobbies of Westminster collecting names in support of a leadership challenge. A Tory deputy chairman finds his private gloom about the party's electoral prospects splashed across the front pages of the newspapers. A vice-chairman is obliged to resign after penning a xenophobic attack on Britain's European partners. Yes, Mr John Major has had another dreadful week.

So the next few days will provide yet another of those all-too-familiar tests of the prime minister's authority. On Monday he faces a confidence vote on legislation to increase Britain's contributions to Brussels. By Wednesday morning he will know whether one of his enemies - possibly Mr Norman Lamont, the former chancellor - has mustered the requisite 34 nominations to mount a formal challenge for the party leadership.

The odds are that Mr Major will win Monday's vote with room to spare. The re-election on Thursday of the loyalist Sir Marcus Fox as chairman of the backbench 1922 committee applied a brake on the Tories' slide into anarchy. The broad hint yesterday from Mr Douglas Hurd, the foreign secretary, that the government would offer a referendum before joining a single European currency will provide a line of retreat for the softer rebels.

Mr Kenneth Clarke, the chancellor, will follow by opening Monday's Commons debate with a promise of a clampdown on European Union fraud. The Eurosceptics will be assured that the Treasury's receipts from the imposition of value-added tax on domestic fuel will not line the pockets of crooked Italian wine producers. Even if a dozen irreconcilables were to ignore such overtures and risk expulsion from the parliamentary party, the votes of Mr James Molyneux's Ulster Unionists would save the government.

The betting on whether there will be a leadership contest is also on Mr Major's side, but less certainly. A week ago, the notion seemed far-fetched. Plenty of his backbenchers would be happy to see Mr Major depart 10 Downing Street. But not enough were ready to attach their names publicly to a formal challenge.

Now the mood, if not yet the cold arithmetic, has changed. Mr Major's cabinet colleagues admit a contest is possible. Mr Lamont is said to be ready to exact his revenge for his dismissal as chancellor 18 months ago. No challenger would defeat Mr Major. But he might fatally wound him. Logic dictates the threat will come to nothing, and the odds are still against. But logic is a scarce commodity these days on the Tory backbenches.

Amid this hysteria, next Tuesday's Budget has been all but forgotten. It might well pre-empt a leadership contest. Mr Clarke does not have a bag of populist tricks to dispense to the panickers on the backbenches. But the signs are that he will delight the rightwing with deeper spending cuts than predicted. He will also publish projections for public borrowing that offer the chance - if not the certainty - of income tax cuts before the general election. Mr Clarke, described this week by one rightwing Tory as "dodgy on Europe but otherwise the best chancellor since the war", is

The self-destructive habit of the UK's Conservative party casts doubt on its will to govern, says Philip Stephens

## Mr Major's dreadful week



Clockwise from left: Prime Minister John Major; Douglas Hurd, foreign secretary; Sir Teddy Taylor, Eurosceptic MP; Norman Lamont, former chancellor; John Major, Tory deputy chairman; and Kenneth Clarke, chancellor

assured of another jump in his personal rating. Mr Major needs him, but must also envy his chancellor's natural authority.

When the prime minister said 10 days ago that he would not tolerate a rebellion by his party's Eurosceptics over Britain's increased contribution to the Brussels budget, the conventional wisdom backed his judgment. By making the vote an issue of confidence, he would avoid a repeat of the trench warfare that nearly destroyed the government over the Maastricht treaty. He would win quickly and decisively. This time no one could resurrect the accusation of weakness.

That was the theory. But once again the prime minister and his cabinet colleagues - the suggestion of an immediate showdown came first from Mr Hurd and was backed strongly by Mr Clarke - underestimated the party's malcontents. Mr Major has a House of Commons majority of 14, likely to fall to 13 after next month's Dudley by-election. There are up to twice that number of Conservative MPs whose central ambition is to oust him this side of the next general election. If their efforts lead to defeat at the election, they are prepared to countenance it.

Not all the putative rebels over Europe are driven by personal animosity. Sir Teddy Taylor, the MP

for Southend, has honourably opposed Brussels for as long as anyone can remember.

Some are motivated by the conviction that the next few years mark Britain's last chance to break away from an emerging European superstate. Mr William Cash is widely regarded as a bore but he is a sincere one. Others represent the curious relics of postwar chauvinism who tend to prop up their local saloon bar before tucking into a tra-

**No challenger for the Tory party leadership would defeat Mr Major. But he might fatally wound the prime minister**

ditional Sunday lunch. Like Mr Patrick Nicolls, the Tory vice-chairman forced to resign after an outburst in his local newspaper, they see Germany as a nation of warmongers and France as a nation of collaborators.

But for a determined clique of irreconcilables, Europe provides the most fertile ground on which to prosecute their assault on Mr Major's premiership. They despise him. Their ambition is to depose

him. For them, plotting in the Commons corridors has become a way of life.

It was their enmity that forced Mr Major into the position of demanding that everyone around the cabinet table sign up publicly to the threat that the government would resign if Monday's vote was lost. There could be no question, as some of the malcontents were suggesting, of a defeat leading to nothing more than Mr Major's replacement in 10 Downing Street by Mr Clarke or Mr Michael Heseltine, the trade secretary.

Mr Clarke made the point first in a typically frank briefing for political journalists. The full cabinet had backed the financing deal negotiated by the prime minister in Edinburgh two years ago. If it could not get such an international accord through the Commons it could not remain in power. No member of the cabinet honourably could seek to avoid an election by dumping Mr Major.

Even the rightwing members of the cabinet who grumbled initially about the strategy admitted that it was a statement of the constitutionally obvious. But in the present atmosphere, it was inevitable the decision would be portrayed as a collective suicide pact. The irreconcilables - who are not noted for their consistency and who have for so long criticised Mr Major as a

weak leader - now accused him of "bullying" his party.

It may be that the prime minister will never be able to reassess real authority; that after 15 years in office, the Conservative party has become ungovernable. As it staggers from one mishap to another, many within the administration have begun to admit such doubts.

The mood in the country will be the critical determinant. The malcontents feed off the insecurity of the less committed majority on the Tory backbenches. They in turn are driven by fear of losing their seats. The government has been 30 or more points behind in the opinion polls for two years. No past administration has ever made up so much lost ground. Maybe, the waverers say to themselves, a new leader (and it would be Mr Clarke or Mr Heseltine, not Mr Lamont) might just turn it around.

The scale of that task was outlined in the confidential memorandum prepared by Mr John Major, the Tory deputy chairman, and first published in the FT at the start of the week. This included the observation that large pay awards cause "real offences" to disillusioned Conservative voters. With painfully exquisite timing, the leak of the document coincided with the announcement that Mr Cedric Brown, the chief executive of the privatised monopoly British Gas, had been awarded a \$205,000 a year annual pay increase.

Save for his indiscreet language, Mr Major's broader political assessment contained few surprises. Voters are fed up with the government and it will take more than a titanic effort to pull them back from Mr Michael Howard, the home secretary, to restore the Conservatives' reputation as the party of law and order. Flooding the hospitals with highly-paid accountants has not enhanced the party's efforts to appear a faithful guardian of the health service.

Nor would anyone who has watched the party's clumsy attempts to destabilise Mr Tony Blair, the newly-elected Labour leader, have been taken aback by Mr Major's judgment that he poses a threat to the Conservatives' grip on the centre ground.

But it was the memorandum's frank admission that the economic recovery is not delivering a political upturn that struck the most worrying chord with nervous Tory MPs. They should have realised that virtue does not guarantee electoral success. The combination of steady growth and low inflation is not enough for most families to wipe out the costs of the recession and of the biggest tax increases since the second world war. For the average Tory voter, living standards, as Mr Major admits, have been falling not rising.

On Tuesday, Mr Clarke will assure them that the tide is beginning to turn. Virtue eventually will put money in people's pockets. If the party keeps its nerve, a fifth election victory is still possible. By this time next week, the present storm, like so many before it, might well have abated, giving Mr Major once again the breathing space to begin rebuilding his government's fortunes.

But as the weeks and months go by, it becomes harder and harder to see how that will be possible before an election due in, at most, 2½ years. It is too early to be certain the position is irrecoverable. But one thing is clear. The Conservative party must decide whether it really wants any longer to govern Britain.

## MAN IN THE NEWS: Oscar Luigi Scalfaro

## Italy's ultimate referee

The deepening problems of the Berlusconi government have turned the political atmosphere in Rome venomous and conspiratorial. Wild rumours circulate at high velocity. Emissaries have begun to test new alliances. Knives are being sharpened to settle old scores.

In the corridors of parliament and newspaper newsrooms, the talk has ceased to be whether Mr Silvio Berlusconi can survive as prime minister after being placed under investigation for corruption this week. It is rather of when and how he will go, and which government will come after.

Moving to centre stage is President Oscar Luigi Scalfaro, the 76-year-old head of state and one of Italy's most experienced politicians. From the Quirinale Palace, once the residence of popes, he has been issuing terse statements indicating obliquely how events should unfold.

to order. From the outset, he warned Mr Berlusconi of the potential problems arising from a conflict between his role as premier and his ownership of Fininvest, Italy's second largest private group.

He intervened, for example, to remind the coalition that the RAI state broadcasting network could not become a tool of government. He took the side of the Bank of Italy when government tried to impose an outside candidate as new director-general. And as head of the higher magistrates' council, the governing body of the judiciary, he helped deflect government complaints that the magistrates were victimising Mr Berlusconi.

On each occasion, his views have carried more weight than is strictly due to the president, undermining the government's position. Indeed Mr Berlusconi and his supporters see the president as a fifth column working to bring down the right-wing coalition government.

Relations between the president and the government this week came close to getting out of control. President Scalfaro was furious over the tone and content of Tuesday's televised address by Mr Berlusconi, given when he learnt that he was under investigation for alleged corruption while running his business empire. Mr Berlusconi attacked the Milan magistrates for conducting a vendetta against him, and threatened early elections.

Presidential aides promptly leaked to the media their views on Mr Berlusconi - "a naturally unpleasant man who believes he is *simpatico* to everyone". The Berlusconi camp countered, labelling Mr Scalfaro as "the worst of the old Christian Democrats concentrated in one pill".

Matters were made worse when



Mr Giuseppe Tatarella, the deputy prime minister, warned President Scalfaro that he was in no position to moralise when he had his own dirty linen. Mr Tatarella alluded to Mr Scalfaro's links while interior minister between 1983 and 1987 with the discredited intelligence services. His name was frequently mentioned during a recent trial of senior members of the services found guilty of embezzling more than \$50m, who alleged he was aware of their practices while interior minister. This is Mr Scalfaro's most sensitive spot - and could yet weaken his position.

However, the president was reportedly so angry at these insinuations, he postponed for 24 hours a formal meeting with Mr Berlusconi to discuss the future of the government. After the meeting, held yesterday, the presidential office refused to comment and it was left to the prime minister to say doggedly: "There is no war with the Quirinale and it was a normal discussion as on every other occasion."

However, Mr Berlusconi failed to obtain the message of support from the president he needs to help him survive. He and President Scalfaro are at odds on almost every aspect of how to proceed.

The only common ground seems to be a realisation that a financial crisis cannot be added to the political uncertainty. Both are agreed that priority must be given to passing the 1995 budget through parliament. This means the prime minister need not resign immediately just because he is under investigation by Milan magistrates for as-yet unproven allegations of corruption.

But Mr Scalfaro has already begun to sound out the prospects for a successor government. He is against a quick dissolution of parliament, since the last elections were only in March. He wants to build a broad-based government that would look to the Popular party (PP) - the former Christian Democrats - in the centre and would embrace the former communist party of the Democratic Left (PDS). This new coalition would probably not include the neo-fascist MSI/National Alliance, the current mainstay of Mr Berlusconi's government along with his Forza Italia movement. Its task would be limited to rewriting the defective electoral laws of August 1993 and introducing constitutional reforms.

Mr Berlusconi, in contrast, sees his only real chance of survival in staying close to the MSI/National Alliance and going to the country as quickly as possible. He would hope to cast himself in the role of a victim of the old political system. In this scenario, Mr Scalfaro, elected in 1982 by a subsequently discredited parliament, would be presented as one of the chief villains.

The stage is now set for a showdown between the president and the prime minister. With political guile piled against an inexperienced premier cornered like a wounded animal, the odds must be on Mr Scalfaro getting his way.

Robert Graham

## THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

**The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?**

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

**CLOSING DATE JANUARY 6 1995**

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# Inequality in society wedding

Alison Smith analyses the merger plans of the Halifax and the Leeds

Halifax and Leeds: building a brighter future



	Halifax	Leeds
Total assets	£20.5bn (as at 31.7.94)	£20.4bn (as at 30.9.94)
UK building society ranking by total assets	1	5
Number of employees	approx 22,000	approx 6,000
Number of branches	687	453
Number of agencies	1,148	approx 120
Number of investing members	approx 6m	approx 2m
Number of borrowing members	1.8m	0.5m
Pre-tax annual profit	£286m	£248m
Profit/asset ratio	38.5%	40.2%

Sources: Halifax/Leeds



Mike Blackburn, chief executive, Halifax

The announcement yesterday of merger plans between Halifax, the UK's largest building society, and Leeds, the fifth largest, surprised many observers with its timing. But the likelihood of mergers in the sector - and the desire of both societies to find partners - is not new.

However, yesterday's plans have gone further than many expected in the intention that the combined organisation should become a public limited company and seek a Stock Exchange listing. The benefits of conversion for Abbey National, the first building society to have chosen public status, have not been so self-evident that any others have since followed that path.

Mr John Potts, the Halifax chairman, who will chair the new organisation, was upbeat about the consequences, however: "We propose to create a new force in personal financial services," he said.

The wooing of Leeds by Halifax began with talks in the spring, after the announcement of an agreed £1.8bn cash bid by Lloyds Bank for Cheltenham & Gloucester building society, the sixth largest.

Leeds had already been in the air since recently, in merger talks with National & Provincial Building Society - a move that would have created the UK's third-largest society. When those broke down in October last year, Leeds was left looking forlorn.

At its annual general meeting in May, Halifax made clear it was seeking a merger in pursuit of its mission to be the UK's biggest and best provider of personal financial services. The problem was whether any society would want to be the junior partner.

Halifax and Leeds will have to persuade several audiences that they have ended up with the right match:

- The members of the two societies - investors and borrowers - who must approve by substantial majority both the merger and the later conversion to plc status.
- The money markets on which the

provides of the £90bn assets of the combined operation. It will also contribute its name and its head office, as well as its chairman and chief executive. Leeds is bringing the brand names of some of its products.

But rather than giving up its identity to join Halifax, the Leeds could have chosen another, less powerful partner that would have allowed for a more equal relationship within an organisation large enough to survive. Its motivation in choosing Halifax is mystifying competitors.

"I can't see what's in it for the Leeds," one chief executive commented. "I was surprised," said another, "I thought they would reject it because of the likely branch closures."

What the future of the branch network might be is an issue requiring diverse messages about the benefits to different audiences. The two organisations have more than 1,100 branches, with considerable overlap. The temptation to

rationalise the combined branch network and cut expenses will be strong.

Mr Roger Boyes, Leeds's acting chief executive, insists that there would be no need for large numbers of branches to be closed and staff to be made redundant. He argues that the planned expansion of business in financial services will provide a use for the extra branches. The new organisation is planned to employ about 27,000 staff and re-training, redeployment and natural wastage, should mean no need for compulsory redundancies, he hopes.

That stance, expressed also by Halifax, is intended to reassure members that they will not suffer a loss in the availability of services, and to give confidence to staff that there will not be massive job cuts.

There is some merit in expressing this view: the outspoken way in which 1,600 job losses among 9,800 staff were envisaged in the announcement of the merger between Leeds and National & Provincial last August was one of the factors in its downfall.

But retaining most of the existing branch network would be far from reassuring to the credit ratings agencies. It could also undermine the two societies' current cost to income ratios of around 40 per cent - below the sector average.

The shadow over societies is the merger of Nationwide and Anglia building societies in 1987. The two businesses were not properly combined, and it is only relatively recently that Nationwide has shown signs of tackling the high cost to income ratio and regaining competitiveness.

Halifax competitors believe that whatever is said to ensure approval of the merger, the society's management will be prepared to take tough decisions on rationalising the combined organisation.

Only if it does - and can make the most of its added size and wider powers to provide a wide range of financial products efficiently - will yesterday's announcement of merger and conversion set the pattern for tomorrow's moves among other societies. They will be watching closely.

## Hugh Carnegie and Karen Fosli on the passions stirred in Norway by Monday's EU referendum

# More gripping than the winter Olympics

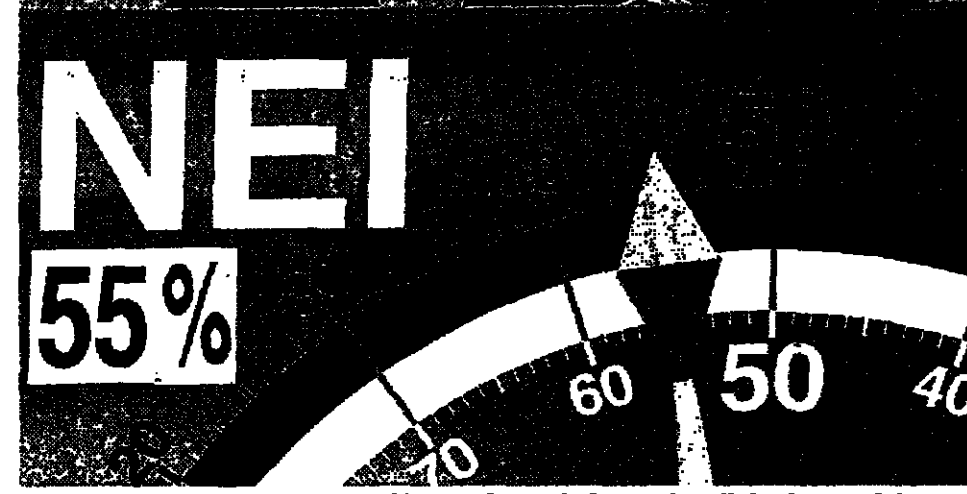
From the barren arctic northlands, through the spectacular mountain valleys and fjords, down to Oslo's humdrum inner suburbs, the word *Nei* has been inescapable in Norway this year.

It has been carved into hill-sides, dangled on cow, down from flagpoles and hung on banners across streets. One farmer won himself a front-page picture in a national newspaper, grinning beside a sign he had erected barring European Union visitors from his campsite. A few weeks ago, a group of women formed "Blondes against the EU".

The passions stirred by Monday's referendum on joining the EU have been exceeded only by the Lillehammer winter Olympics last February - when Norway skied off with a horde of gold medals - and the football World Cup finals in July, for which Norway qualified for the first time in more than 60 years.

Last weekend, the No camp organised the largest rally in any of the four prospective member countries: 25,000 people streamed into Oslo in driving rain and snow to boo Brussels. It was the highest political demonstration in Norway since the second world war - even bigger than any rally during the campaign in 1972, when Norway rejected membership of the European Community in an earlier referendum.

In the Oslo crowd was Mr Skjalg Jensen, 27, who had



'Nei' has been inescapable in Norway this year, though the lead in the polls has been eroded

travelled 1,200km from Finnmark, Norway's northernmost county, where the country borders Russia and the arctic Barents sea. Dressed, like many in the crowd, in traditional knickerbocker trousers and a floppy felt mountain hat, with the Norwegian flag sticking out of his backpack, Mr Jensen declared: "The question of joining the EU is a question of our values, and that is why we are against joining."

"They say the politicians in Brussels are the voices of the people, but what do they understand? Their realities are self and socialising. There is a different culture from normal people like us in the north."

The very word "union" provokes a grimace in a country that only gained independence from Sweden in 1905 and was occupied by Nazi Germany during the last war.

As for political isolation, many Norwegians believe that by joining the EU they would increase their separation from the seat of decision making. "It is already a long way from here to Oslo," say people in the region. "We will be even further away from Brussels."

They are happy to confine themselves to membership of Nato.

The oil bonanza, meanwhile, has allowed Norway to indulge its preference for a social system heavily weighted towards state welfare and lavish subsidies for rural communities. And fear of losing control of its petroleum and fish riches outweighs the mostly intangible

economic benefits EU membership might bring.

Unlike both Sweden and Finland, which have recently suffered deep recessions, Norway has fared quite well, with relatively low unemployment (a total of about 8 per cent compared with 13 per cent in Sweden and 18 per cent in Finland). Warnings from the Yes camp that petroleum revenues will soon peak, exposing the weak state of Norway's onshore industrial base, make little impression on many Norwegians, made comfortable by the generous redistribution of oil wealth.

"A market economy for north Norway will never work," said Mr Mats Albinsson, a dockworker from Hammerfest, at the Oslo rally. "Currently

there is protection of the economy, but joining the Union implies there would be totally free access for outside competition. We are not fools - we've seen this happen before in other countries."

The counter-argument, that Norway could find itself excluded from European markets, also has little impact on the No camp. It believes that oil and fish can continue to be the backbone of the economy. "They don't trade with us because they are sorry for us," proclaims Ms Torhild Lamo, a No campaigner in the north-western town of Bodø. "They trade because they need what we've got. We have the natural resources, so I don't think that would be a problem."

Mrs Brundtland hopes that

enough people in the urban areas, which are more populous than the regions, will reject these arguments. In the cities, her appeal for Norway not to vote itself out of the political and economic development of Europe shows signs of hitting home.

But even if she wins, it will be an uneasy victory over the outlying regions, which have traditionally embodied Norway's national identity. "We are a very different country, we have different values and we are a different people. We want to protect the value of life in Norwegian society," said Ms Anne Enger Lahnstein, the principal leader of the No campaign, at a meeting in Oslo last week. It won her a standing ovation.

## Decision denies chance to pioneer superhighways

From Mr Graham Allen MP.

Sir, The government's announcement that it will not lift the ban on BT and allow it to broadcast entertainment services to homes on a national basis is an unwelcome and inappropriate decision at a time when the UK's European and international competitors are surging ahead in the telecommunications revolution ("Government offers telecoms groups wider superhighway role", November 23).

What this means for the country and economy is that we will fall behind the world leaders in the development of a superhighway, and our citizens will be denied the tremendous opportunities which would be the immediate spin-off from the superhighway. The government has given a clear and concise No to BT's and Mercury's establishment of an information superhighway before at least 2001.

Whereas BT and Mercury can compete in European markets they are prevented from doing so in the UK. Not only that, but they are also denied

## Coal enterprise in UK's best interests

From Mr William F Morrell.

Sir, May I ask you what interests are being served by the seemingly endless campaign to rubbish RJB Mining? This company's efforts to secure a significant part of the UK coalmining industry serve the nation's best interests ("Putting £1bn down the mines", November 23).

We each have a duty to see our considerable natural resources and expertise fully exploited. Surely we should applaud, support and be thankful for such a display of confidence, enthusiasm and enterprise.

A week and fragmented coal industry brings more than misery to the already hard-pressed mining communities. It creates more than a little financial pressure on the mining equipment manufacturers which

## Restrictions on radio licences inequitable

From Mr Henry Meakin.

Sir, Raymond Snoddy reported in an article on November 17 ("Capital may seek all four regional licences") that Capital Radio "under the points system for limiting the concentration of radio station ownership, Capital (Radio) has the way to buy a number of new licences or even a national commercial station" and that it might bid for all four regional licences that are due to be advertised in a separate article in the same edition, he reported that GWR Group had been prevented from making an acquisition by The Radio Authority ("GWR acquisition plan is blocked by Radio Authority").

How can it be that Capital Radio, one of the biggest independent radio contractors in the world and four times the size of GWR, can have this lee-

## Computer hackers are less of a risk than lax security over passwords, says Alan Cane

# Open sesame, system

Shadowy figures answering only to bizarre pseudonyms; secret meetings in lonely cellars at dead of the night; electronic black boxes dishing endless sequences of telephone numbers in the hope of making a connection. This is the stuff of hacker mythology, the heroes of the computer revolution whose main aim in life is to break into computer systems.

Their motivation, it seems, is not personal gain but to test their ingenuity against the best defences computer scientists can build round their systems.

Mr Gerry Penfold, KPMG partner with responsibility for computer audit, said: "It seems that companies continue to be oblivious of the commercial risks they are running, choosing to ignore obvious dangers."

BT now faces an investigation by the data protection registrar. Under the principles of the Data Protection Act, any companies with personal information about customers on their computers have to take reasonable care to keep that information confidential. Breaking a principle of the act is not in itself a criminal offence; but if a company ignores the registrar's advice on future security procedures, it could be liable for prosecution.

Such security is largely a matter of commercial compromise. Companies can have as much security as they are prepared to pay for. These levels are split out in the US in the Department of Defence Orange Book and in Europe in the EU's White Book.

A password provides some security. The addition of a call-back modem, so that users are called back by the computer, provides more. And double, triple or greater combinations of passwords offer more security still.

The most sensitive government computer systems also have boxes built around each terminal to stop people using a scanner to read the radio frequencies that they pass three feet away from the computer. But, essentially, systems are at most risk from their users. A virtually secure system is possible, but the expense and inconvenience of guaranteeing password discipline is usually impracticable. Most organisations settle for password combinations.

And in practice, groups of people often share passwords to make administration easier. Others write them down - not unreasonably, in some cases. Professor Henry Becker of Zergo, a security consultancy, cites a bank with 40 passwords and identity codes.

The problem is really a cultural one. There is a lack of awareness of the need for security. People who would never think of going out for lunch leaving the cash drawer open, leave a computer terminal on and unattended without a second thought.

As the Audit Commission has said: "As information technology becomes a normal part of the employees' work pattern, there is a risk of almost casual disregard in protecting data. Managers and users must understand the value of data and protect it before it gets lost or damaged - deliberately or accidentally." If the message gets home, hackers will have to win their spurs the hard way.

KPMG Peat Marwick, the business consultancy, sur-

Earlier this year, the Audit Commission reported a 300 per cent increase in the past three years in all forms of computer abuse, including fraud, theft, hacking and the unauthorised disclosure of personal data.

BT accepted that information had been taken from its system, and instituted an immediate review of its security measures. But it denied that its computers had been "hacked". This position depends to some extent on a definition of hacking.

Most people take it to mean using clever methods to overcome the system's defences. But Mr Fleming, who obtained temporary employment at BT, is quoted as saying: "To my amazement I found passwords were openly distributed."

Computer security experts everywhere will have shaken their heads wearily at these words. The BT affair has confirmed, yet again, their collective view that poor password discipline is the biggest single cause of computer security breaches.

People like to believe in the hacker mythology; they like the mystery and the taste of electronic wizardry. But it serves to distract attention from the fact that computer security in most commercial organisations is poor or non-existent.

KPMG Peat Marwick, the business consultancy, sur-

to them for a longer period.

If the government feels that tax relief for "discretionary" schemes needs to be restricted, may I suggest that it is continued for all schemes where options are granted to employees generally. Limited tax relief should also be available for executive options, but only in respect of those shares which are still held for, say, two years after the option exercise date.

Michael London, senior consultant, The Wealth Company, 21 Tudor Street, Westminster, London SW1H 9LL

## Solution to share option tax relief for executives

From Mr Michael London.

Sir, It would be a pity if the government reacts to recent publicity about executive options by simply abolishing the income tax relief for approved "discretionary" schemes. This would unnecessarily penalise participants in the growing number of "all-employees" share option schemes, which use the "discretionary" scheme legislation because of the inflexibility of the requirements for savings-related (SAYE) share options. It would also further encourage employees to sell their shares immediately after exercising the options, instead of holding on

## Indicate money spent per pupil

From Mr Tim Beechey-Neuman.

Sir, Your inclusion of an indicator of social deprivation in the league table of school results ("Schools' league tables", November 23) is one step towards providing more information about the achievement of the schools involved. However, if the additional educational needs index, from which your indicator was taken, is also an indicator of the amount of taxpayers' money spent per pupil, then it is misleading not to include this figure as well.

Tim Beechey-Neuman, 20 Langford Green, London SE25 8BX







INTERNATIONAL COMPANIES AND FINANCE

# VW plan to cut investment prompts slip in share price

By Christopher Parkes in Frankfurt

The Volkswagen share price suffered yesterday as the company announced plans to slash capital investment and reports circulated of internal profit forecasts which fell far short of analysts' expectations.

After trading up during the day, the automotive group's shares shed more than DM5 towards the close, ending DM3.70 down at DM451.80.

The company last night refused to confirm or comment on the existence of a document reportedly presented at a meeting of the supervisory board yesterday which showed the management expected pre-tax profits in 1995 of DM690m (\$871.17m).

The document was also reported to say the outcome could be up to DM200m higher or lower, and added that sales would rise only modestly next year and it would be difficult to increase prices.

According to the Reuters news agency which said it had copies of the paper, the management forecasts were far more gloomy than those of stock market expectations,

which were mostly based on earnings well above DM1bn.

The agency quoted one analyst describing such a result as "depressing", although others found it hard to believe the figures were correct, suggesting the management could have massaged the data to present as poor a picture as possible to the supervisory board.

Under German accounting rules, companies commonly add to or draw down hidden reserves at any time without publicising such moves.

While investors are convinced that VW is set to rebound strongly from its net DM1.94bn losses last year, management may want to play down the extent of the recovery while it is still trying to cut costs and increase productivity.

Mr Ferdinand Piech, group chairman, recently angered his competitors with a downbeat assessment of the car market's prospects which hit all automotive groups' shares.

VW may also want to paint as black a picture as possible

to enhance its chances of success with its current lobbying exercise in Bonn for government subsidies.

The company wants funds for a "scrapping premium" scheme similar to those used earlier to liven up the Spanish and French car markets. Ordinary car owners were paid substantial sums to trade in cars over 10 years old for new models.

VW says more than 20 per cent of the German car market would stand to gain most, while other groups such as Mercedes and BMW are believed to be strongly against subsidies which would appeal mainly to owners of lower-priced cars.

The non-executive supervisory board, which is dominated by worker representatives and Social Democrat politicians, yesterday approved a sharp cut in medium-term investment plans, which reduces the five-year budget for 1995 to 1999 to DM58.5bn compared with DM69bn for the current budget to the end of 1998.

The total will be divided virtually equally between the factories and the group's financial services business.

# Bock sells stake in German hotels group

By Michael Skapinker in London and Michael Lindemann in Bonn

Mr Dieter Bock, chief executive of Lönrho, yesterday began to fulfil his promise to dispose of his outside interests when he announced the sale of a controlling stake in Kempinski, the German hotel group, to a leading Thai hotel company.

Advanta Management, Mr Bock's German property company, said it was selling its stake of just over 50 per cent in Kempinski to Dusit Sindhorn, a Thai joint venture between Dusit Thani, the hotel company, and Siam Sindhorn, a Thai property investor.

The purchase price was not

disclosed, but Advanta is believed to have sold its stake at a premium to the price of Kempinski shares on the Frankfurt stock exchange. Kempinski shares rose DM10 yesterday to close at DM850. The deal will be completed on December 5.

Mr Bock's pledge to sell his outside interests came this month when he won his battle to persuade Mr Tiny Rowland, his fellow joint chief executive, to quit the Lönrho board.

There had been speculation that Kempinski would be merged with Lönrho's Metropole hotel chain. Any such merger would have been complicated, however, by the Libyan government's 33 per

cent holding in Metropole.

For Kempinski, which is just about to open its seventeenth hotel, in Dresden, the sale comes at the end of a long struggle to find a partner. In 1982, Kempinski, then 42.6 per cent owned by Lufthansa, the German airline, was forced to abandon plans to merge with Meridien, the luxury hotel chain controlled by Air France.

Instead, Lufthansa sold part of its stake to Advanta. Today, Lufthansa owns 20.2 per cent of Kempinski, with the remainder held by other investors. Air France sold its 57 per cent stake in Meridien to Forte, the UK hotel group, earlier this year.

Kempinski yesterday paid

tribute to Advanta's role in developing the chain. Kempinski said: "Thanks to Advanta, the company achieved a much stronger position in Germany. Advanta assisted in the merger of the company's German and international activities which were previously separated."

Kempinski said Advanta had also assisted it in obtaining hotel management contracts.

The German chain said its link with the Thai joint venture would give it a stronger position in the Asian region, the world's fastest-growing travel market. It said the Kempinski name would be maintained.

Dusit Thani said earlier this year that it was keen to

expand outside Thailand. Khunying Chanut Piyasanti, the group's founder and managing director, said: "I would like to invest overseas, not to make a lot of money, but because I want to present Thai customs, tradition, art and culture, food and hospitality."

Berliner Handels- and Frankfurter Bank said it sold its 10 per cent stake in Advanta Management to a US investor at the end of October, reports Reuters.

A spokesman said the bank had long intended to sell the stake. He said the sale had nothing to do with house speculation in mid-October that Advanta had run into financial difficulties.

# Skanska profit ahead 83% at nine months

By Christopher Brown-Humes in Stockholm

Skanska, Scandinavia's largest construction and property group, increased pre-tax profits by 83 per cent to SKr2.72bn (\$365m) in the first nine months.

Expanded international operations, reduced interest costs and higher dividend income offset the slump in the Swedish building market and lower rental revenues.

The figures included a SKr879m dividend from the winding up of the investment group, Protolop.

There was a 4 per cent drop in nine-month operating income to SKr1.87bn from SKr1.95bn, reflecting a worse performance from the Swedish construction unit and lower rental revenues after property divestments late last year.

But the downturn was offset by SKr857m in financial income. In the same 1993 period, the group incurred SKr466m in expenses.

The Swedish construction side saw operating profits fall to SKr363m from SKr412m as revenues fell 7 per cent to SKr10.3bn. Low demand and depressed prices characterised the domestic market, now in its fourth year of recession.

Residential construction is being held back by high interest rates with housing starts falling to 5,800 from 7,400. The company says the market should have touched bottom, with higher road and civil engineering activity helping to offset low housing construction business in the next year.

International operations accounted for 46 per cent of total order bookings of SKr27.4bn against 27 per cent of SKr17.6bn in 1993. International construction revenues jumped to SKr6.9bn from SKr4.4bn and operating income climbed to SKr47m from SKr16m.

Skanska says its full-year profit, excluding the dividend from Protolop, will be considerably better than last year's SKr1.1bn.

# Morita resigns as chairman of Sony

By Michio Nakamoto in Tokyo

Mr Akio Morita, one of Japan's most unconventional yet highly regarded businessmen, yesterday resigned his post as chairman of Sony for health reasons.

Mr Morita, aged 73, who is recovering from a brain haemorrhage suffered a year ago, becomes honorary chairman and Mr Masaru Ibuka, with whom he co-founded Sony, will become chief adviser. Mr Norio Ohga remains president and chief executive officer.

The post of chairman has not been filled.

While Mr Morita's resignation was generally expected after his absence from the company's day-to-day business since last November, the news "was a shock to everyone" at the consumer electronics company, a company official said.

"Employees who are in their middle years have great trust in Mr Morita, who is regarded as a kind of god - although it is rather odd to describe him in those terms," a Sony official commented.

But it is not just Sony that is losing a leader. Mr Morita is one of Japan's last remaining symbols of its spectacular rise from a war-devastated country to the world's second largest economy. He ranks with the likes of Mr Konnosuke Matsushita, founder of the world's largest consumer electronics company, and Mr Shoichiro Honda, who started the motor company carrying his name, for his contribution to the country's post-war success.

The company he co-founded under its former head and a repair shop in the wreckage of post-war Japan to a global enterprise with annual sales of almost ¥4,000bn (\$40.53bn). It also acquired two symbols of US cultural heritage - the former CBS records and the Columbia movie studios.

While Mr Ibuka was the engineering genius behind Sony and established the company's reputation as the standard-bearer for high quality consumer electronics, Mr Morita is credited with building Sony into an international

operation, earning it a reputation for bringing out one hit product after another, from Trinitron colour TVs to the Walkman portable cassette and CD players.

His international outlook took Sony into overseas markets and led to the company setting up production outside Japan years before globalisation became a trend among Japanese manufacturers. He spent three years living in the US at a time when few Japanese corporate executives ventured to live outside the country.

He has also been behind the early appointment of foreign nationals to executive posts at Sony's overseas companies and in his later years spent much of his time representing the Japanese business establishment at home and abroad.

The personable Mr Morita, who is said to have related comfortably to Sony employees regardless of rank, has also been seen as the inspirational force with the ability to pull the ranks together in a common cause.

Unlike the Sony which Mr Morita, together with Mr Ibuka and later with Mr Ohga, was able to guide by virtue of his forceful yet charismatic character, the company is now an unwieldy organisation suffering the pitfalls of over-extension.

Last week, the company said that as a result of poor performance at Sony Pictures, formerly Columbia, it would write ¥265bn off the value of its films arm. The write-off, which came after substantial investments in the Hollywood studio under its former head and a dismal year at the box office, resulted in a ¥309.5bn interim net loss.

"The era in which the company can be led by two people is over," says one Sony official. To cope with its enlarged operations, Sony earlier this year restructured the group's activities into eight group and division units, each headed by a company president. The aim is to give greater autonomy and enable them to be more market responsive.

Mr Morita's departure also



Akio Morita: built Sony into an international operation

comes at a time when Japan's consumer electronics industry is under great pressure. The yen's sharp appreciation against leading currencies, the saturation of the domestic consumer electronics market and the changes in consumer electronics, computing and communications, are threatening the status, if not the survival, of some of Japan's most successful companies.

Mr Morita, an active business ambassador for Japan in his role as chairman of the Japan-US Business Council, will be missed for the role he played in promoting understanding with the west and in representing the Japanese point of view to western business leaders who often misunderstood Japanese reticence.

His outspokenness and unorthodox views have won him some critics in Japan, but many more supporters overseas and among Japan's more progressive-minded business men and public officials.

Mr Morita, for example, has advocated shorter working hours and better pay for Japanese workers, much to the annoyance of many employers, and called for greater liberalisation of Japanese markets. Such views, and his cosmopolitan manner, have won him admiration as the antithesis of the dull, blue-suited, conservative Japanese business executive.

Although his forthright manner was at times used against him, he was always widely respected and admired for his ability to say what many thought but were afraid to express.

As he steps out of the limelight of corporate Japan, the country has embarked on a path towards greater deregulation and became more outspoken in defending its views. Many would agree that the change owes much to the efforts of Mr Morita.

# Australis Media confirms it is in talks with News Corporation

By Nikki Tait in Sydney

Australis Media, Australia's would-be pay TV operator, said yesterday that it is holding talks with Mr Rupert Murdoch's News Corporation, but declined to be drawn on the nature of these discussions.

Australis holds one of the two commercially-available satellite licences for the Australian market and has pledged to deliver the nation's first pay-TV service early next year. But it has come under increasing pressure from the big existing media operators - notably Mr Kerry Packer and Mr Rupert Murdoch - who have

formed consortia with local telecommunications groups and are holding out the promise of rival cable-based subscription services in the not-too-distant future.

There has been speculation that this pressure will lead Australis to team up eventually with the joint venture set up by News and Telecom, the large government-owned telecommunications group, currently installing a national cable infrastructure. The three companies could then pool their programming, subscriber management and delivery resources. News, through its ownership of Fox film studios,

could contribute programming, and also subscriber management.

Confirmation of the talks with News was given by Mr Rodney Price, Australis' chairman, at the company's annual meeting in Sydney yesterday.

However, he also disclosed that the company had just secured a partnership agreement with Sony Pictures, MCA/Universal, and Paramount for the provision of general entertainment programming.

Mr Price repeated the group's determination to launch a pay-TV service in the new year.

# Study starts into privatisation of French tobacco monopoly

By John Riddling in Paris

Crédit Lyonnais, the French state-owned bank, has been appointed to study the privatisation of Seita, the state tobacco monopoly which manufactures Gauloises and Gitanes cigarettes.

The economy ministry said that no decree had yet been issued for Seita's privatisation and that Crédit Lyonnais would study the mechanisms and technicalities of a possible privatisation. Seita is one of 21 public sector companies slated

for sale, or already sold, by the centre-right government of Mr Edouard Balladur.

Industry observers played down the prospect of a rapid sale. The French government has already netted more than FF60bn (\$11.3bn) this year from its privatisation programme, compared with a target of FF65bn. Mr Nicolas Sarkozy, the budget minister, indicated last week that no further privatisations would take place in 1994.

The government is, however, in the midst of the privatisation

process for Groupe Bull, the computer manufacturer. Last week, it invited offers from potential investors seeking to take stakes in the company. The government is also eager to launch the privatisation of Assurances Générales de France, but is awaiting improved stock market conditions.

Seita, which makes matches as well as cigarettes, reported a first-half net profit of FF264m and predicted a rise in full-year profits, compared with the FF385m achieved in 1993.

# Few surprises from Deutsche Telekom

By Nicholas Denton, Andrew Fisher and Richard Lapper

The distribution of mandates for Deutsche Telekom's privatisation has been so heavily, and accurately, trailed that the actual announcement yesterday contained few surprises.

That Deutsche Bank - whose chief executive is Hilmar Kopper - and Dresdner Bank would be in the key international consortium was never seriously in doubt. "This is a great day for a German bank to have such a prominent role in such a significant issue," said Mr Ronald Schmitz, director of Deutsche Bank's investment banking operations.

The focus of international interest was the choice of international investment bank to give a geographical balance to the global consortium.

But nor was there any astonishment that the German government chose Goldman Sachs as the third member of the global consortium. Ever since Germany decided to go for SEC registration for Deutsche Telekom and a full US listing, the participation of a US investment bank was well-nigh inevitable.

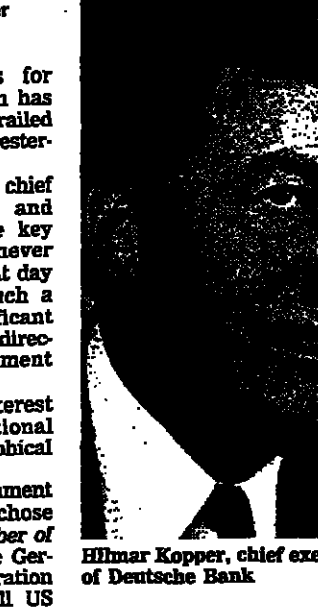
Goldman is the pre-eminent US investment bank in Europe and has established close links with Deutsche Telekom over the past four years. It was always regarded as the investment bank to beat.

Goldman's expression of the ritual investment bank "delight" and "honour" carried more conviction than that of many competitors who came in but with more humble roles.

"Winning this mandate is an important strategic development both for our telecommunications effort and for our German operation," said Mr Robert Morris, managing director of international telecommunications equity research at Goldman Sachs and one of a team of core executives for whom the deal has been a top priority for nearly four years.

"It goes to the roots of Goldman Sachs, which is built upon equity. We are proud to be involved in the world's largest equity offering."

This year Goldman taps a premier league of investment banks competing



Hilmar Kopper, chief executive of Deutsche Bank



Helmut Rieke, chief executive of Deutsche Telekom

for growing volumes of international equity business. It has been "book-runner" in eight separate deals, ranging from Den norske Bank to Tele Danmark, to huge Asian deals, such as Indosat, the Indonesian long-distance telecommunications concern. Sales from 11 separate tranches of shares in these deals amount to \$3.37bn.

Competitors conceded that Goldman's achievement was a testament to the US firm's long effort in positioning itself for the deal. But one London-based executive said: "Goldman have got a great headline position but from their position the devil is in the detail."

A global co-ordinator generally takes a lead role in most regional markets. Goldman has such a position in the Americas, but as joint rather than sole lead. The firm has not won inclusion in the other areas: UK, the rest of Europe and Asia. "Goldman is a global co-ordinator with a difference," said one rival. The regional consortia matter because, as one investment banker said, "sales are the guts of it". Fees for investment bankers are expected to amount to 2.5-3 per cent of a total trans-

action that will at DM15bn (\$9.6bn) be larger than all German IPOs of the past eight years combined. Of this commission pool of about DM450m, only about 20 per cent goes to the managers of the transaction, 20 per cent to the underwriters and a full 60 per cent to the sellers.

Warburg had hoped for four banks in the global group and was disappointed only three were chosen. Mr Maurice Thompson, head of equity capital markets at S.G. Warburg of the UK, said: "We had obviously hoped for a more crowded top line and a position in it."

So Warburg can regard its position as sole lead of the UK tranche as a generous consolation for its failure to win a place in the global group. Warburg was the only bank to gain a sole lead role in any region. The bank was buoyed too by indications from Deutsche Telekom, whose chief executive is Mr Helmut Rieke, that about 30 per cent of the total issue would be allotted to the UK, about the same as that earmarked for US investors.

It is expected that 50-60 per cent of the issue will be sold in Germany by a

## The British Investment Trust PLC.

The British Investment Trust aims to achieve long term capital growth from a portfolio of international investments and secure for shareholders regular increases in dividend.

Company Half-Year Financial Highlights as at 30th September (unaudited)		
	1994	1993*
Net Asset Value Per Share	231p	220p
Ordinary Shareholders' Funds	\$722m	\$687m
Dividend Per Share	2.1p	2.0p

\*Adjusted to reflect the change in accounting policy for dividend income from a payment date basis to an ex-dividend basis with effect from 1 April 1994.

To: The Secretary, The British Investment Trust PLC, Donkirk House, 97 Haymarket Terrace, Edinburgh EH12 5HD.

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## MARKETS



Turbulent times: the storm may have hit the markets but will the damage last?

London

## Atlantic storm does its worst

And shares remain vulnerable, says David Wighton

The saloon bar weather forecasters were definite. "Roses still blooming in November?" It's not natural. It can't last. "The Footsie still over 3,100, with 10-year gilts yielding 8.5 per cent? It can't last," echoed the gloomier City forecasters.

The meteorological cold snap has yet to arrive, but the financial storm duly hit on Tuesday. The map looked all too familiar, with low pressure over the Atlantic leading to precipitating share prices in London. The FT-SE 100 index lost 42.3 points on Tuesday as New York started to slide, and tumbled another 51.3 points on Wednesday after Wall Street ended the session down almost 2% per cent. With Wall Street closed for Thanksgiving on Thursday, there was then a nervous calm as the City peered at its barometer. Members of the Michael Fish school of forecasting ("hurricane, what hurricane?") saw the events as a healthy correction. Those of a more apocalyptic frame of mind announced the beginning of the end.

Nick Knight, equity strategist at Nomura, advised investors to "sell while you still can". His equally gloomy rival at Panmure Gordon, Robin Aspinall, declared himself "quite certain" the Footsie would hit 2,750 before Christmas on the way to 2,500. That might still happen. But when New York traders returned to their desks yesterday, full of turkey and pumpkin pie, the wind had dropped. New York started brightly and there was little change in London shares, leaving the Footsie at 3,033.5, down almost 100 points on the week.

There was plenty to worry about at home, too. Despite the cabinet's so-called suicide threat, it seemed at least possible that Tory backbenchers would call its bluff over the European Union finance bill on Monday. And there was mounting unease about what Tuesday's Budget might bring. In particular, the fear has resurfaced that chancellor Ken-

eth Clarke will return to the subject of advance corporation tax. The cut from 25 per cent to 20 per cent, announced by Norman Lamont in March last year, released £1bn annually for the exchequer by reducing the tax credit that pension funds, and other tax-exempt investors, can claim on dividends.

The money was generated at relatively little political cost, and there must be a chance that Clarke will come back for more. But reducing the rate cuts institutions' income from equities - so such a move would hit share prices, particularly high-yielding utilities, by making them less attractive compared with gilts.

UK institutions have been moving into gilts over the past couple of months, narrowing the yield premium they offer over US government bonds and over UK equities. The process accelerated sharply this week, with the yield on 10-year gilts falling from 8.6 per cent to below 8.5 per cent while the yield on the FT All-Share Index pushed back through the 4 per cent level.

That cut the ratio of yields on gilts and equities from 2.23 to just over 2.13. The documents point out that, at present, gilt yields, the FT-SE 100 index would have to fall to 2,600 to bring the yield ratio down to its opening year levels.

But the ratio is now close to its long-run average. As for the comparison with US Treasuries, gilts have further ground to make up, given the UK's better inflation outlook. There were some warning signs this week. The Confederation of British Industry's monthly survey showed an increased proportion of manufacturers planning to raise prices to offset higher raw materials costs. Earlier in the week, Courtauld's joined the chorus of companies complaining about squeezed margins and said it would put up its fibre prices by between 5 and 15 per cent in January.

Yet, even if these increases stick, it is debatable if they

will be passed on to consumers. Still suffering from the over-expansion of the 1980s, retailers are finding it extremely difficult to push through price rises - as BHS and Mothercare admitted this week.

All this is encouraging City economists to stick to their inflation predictions. Indeed, Bill Martin of UBS, one of the leading pessimists, has just cut his inflation forecast for next year by 1.25 points to 3.5 per cent. As a result, he now forecasts base rates of 8 per cent at the end of 1995, rather less than the markets are expecting. Lower inflation means investors will require a lower yield on equities, so UBS has increased its target for the FT-SE 100 to 3,200 for the middle of next year and 3,400 by the end.

Meanwhile, the interim reporting season continued to produce very healthy dividend increases. Granada, Tate & Lyle and Vodafone all announced rises of more than 10 per cent and water company shareholders felt the benefits of the industry's comfortable new price controls. Even the back marker, South West Water, offered an 8.3 per cent rise, while Yorkshire pledged to provide growth of 5 per cent per annum after inflation for the next five years.

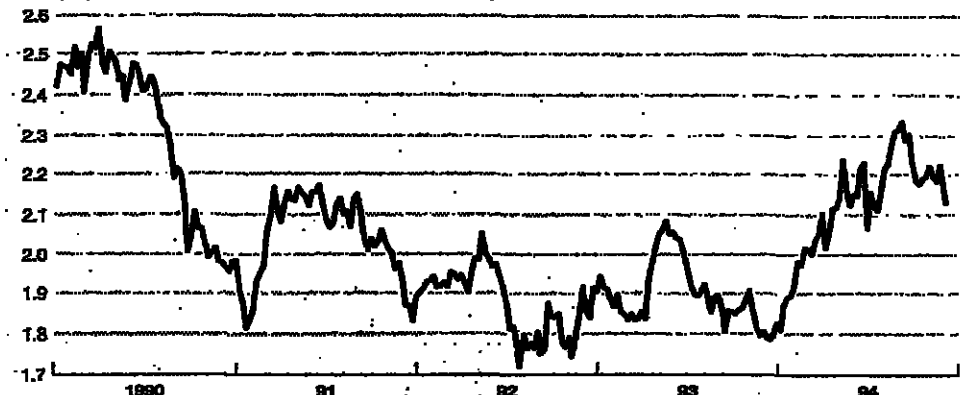
The market was not impressed, though, with both water and electricity shares having a poor week. In part, this reflected nothing more sinister than a bit of profit-taking. But there were also renewed worries about Labour's proposed windfall tax on the profits of utilities.

That apart, the climate looks quite favourable for equities. Yet, UK share prices will remain vulnerable to turbulence in New York, where the behaviour of retail investors could be critical.

With interest rates rising and share prices returning to the level where many investors bought, it would be no surprise to see a rush for the door. Until that threat passes, UK equities are unlikely to enjoy an Indian summer.

## Yield ratio

Long gilt yield divided by FT-SE All-Share Index dividend yield



Source: FT Graphite

## Highlights of the week

	Price Y/day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3033.5	-97.5	3520.3	2676.6	Wall Street shake-out
FT-SE Mid 250 Index	3480.3	-95.3	4162.8	3363.4	Interest rate concerns
Allied Domeq	553	-42%	993	540	Brokers' downgrades
BTR	285	-20	401	281	Profit-taking
Billary (J)	114	-37	225	114	Loss warning
Eastern Group	792%	-13%	866	566	Windfall tax fears
Harrisons & Crossfield	149	-13	220	148	Disposal losses
Lorho	153%	-10	176%	124%	Lack of support
Smith & Nephew	151%	-3%	159%	138%	Investment support
Smith (W)	448	-21	549	437	Own broker downgrades
South Western Elec	749	-46	824	551	Windfall tax fears
Tate & Lyle	425	-19	487%	392	Badly handled selling
Telegraph	353	+7	624	310	Hollinger buys shares
Vodafone	153%	-14	221	157%	Interim disappoint
Welsh Water	617	-48	744	545	Profits fall

## Wall Street

## The market gives a simple message

Tony Jackson explains the reasons for a fall which had to happen sooner or later

With the benefit of hindsight, this week's plunge on Wall Street was an accident waiting to happen. For months, bonds had been getting cheaper and stocks had not. Last week's sharp rise in the discount rate merely prodded stocks into action.

Whether they are back into line is a more ticklish question. The point is illustrated by one simple statistic. At the start of February, just before the Fed first raised rates, the long bond was yielding 8.3 per cent and equities 2.7 per cent. By last week, the bond yield had risen to 8.3 per cent and equities to only 2.9 per cent.

To put the same point in a different way, the yield ratio rose over the period from 2.4 to over 2.8. Though this may seem a little arcane, its significance lies in the fact that the normal range for this ratio is between 2.2 and 2.6. The last time it reached 2.8 - that is, the last time equities were so expensive relative to bonds - was before the crash of 1987 (it went on to peak at the crazy level of nearly 3.8).

It might seem surprising that retail investors, at least, should have tolerated this. After all, one of the most striking phenomena for equities in the early 1990s was the surge of private savings into mutual funds, when the return on cash was very low. When the Fed began to push rates up in February, that money ought to

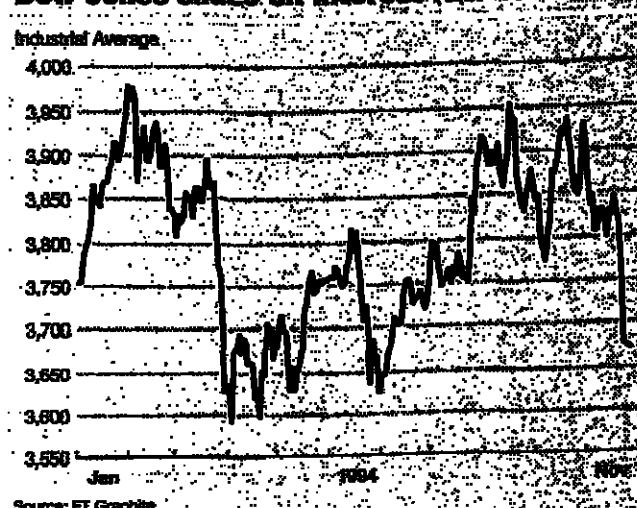
have started moving out. Instead, investors seem to have assumed that the strength of US economic recovery would push up corporate earnings and therefore stock prices, thus providing capital gains to make good the shortfall in income.

It therefore came as a blow to realise last week that the US economic cycle seems finally to be turning down; or if not, that the Fed has every intention of pushing up rates until it does turn down. The third quarter results season just ended brought a string of record earnings from a wide range of companies, not merely the traditional cyclical sectors, and that may continue for another quarter or so. Nevertheless, the market senses that the earnings recovery is faltering.

An oblique but powerful piece of supporting evidence comes from companies themselves. This week, Walt Disney capped a record year of earnings by saying it had spent \$200m since May buying back its shares, and that it planned to spend up to \$4.5bn doing the same in future. On the same day Merck said it was going to spend \$2bn on its shares, a sharp increase on its previous buyback programme. The day after, the electronics giant AMP (market value \$7.3bn) said it too would start buybacks, under a programme already in place but not yet implemented.

Now, there are two ways of

## Dow Jones slides on interest rate fears



Source: FT Graphite

raising earnings per share: increase the earnings for a given number of shares, or reduce the shares for a given amount of earnings. Not all these companies believe their earnings growth will fall: indeed, AMP specifically said it expects record earnings for the next two quarters. But in general terms, when companies can find nothing better to do with their cash than retire their own equity, it is likely there are squalls ahead.

The Fed's actions apart, the other factor weighing on the market's mind is political. It is clear by now that the crushing success of the Republicans in the mid-term elections could prove a mixed blessing. To be

sure, the Republicans can be expected to press for a lightening of regulatory and other burdens. But they also stand for low taxation. Cutting taxes is quicker and easier than cutting spending, particularly for a party which is committed to halting the cuts in the defence budget.

Other things being equal, in other words, the risk is that the budget deficit will worsen. This might seem a paradox for a party which contains such powerful figures as Senator Phil Gramm, who believes the constitution should be amended to prohibit the government from borrowing at all. But for the bond market, even the outside chance of increased

supply would tend to push yields up as well, and the last thing the equity market needs now is a weak bond market.

As for the week ahead, the market's indecision was shown by yesterday's thinly-traded holiday rally. There are at least two reasons for thinking the nervousness may not be over. First, though the Dow has fallen further in the past week than the broader-based S&P 500, it has fallen less since the start of the year. In other words, the big leading stocks may still be a touch overvalued relative to the market as a whole.

Second, watch that yield ratio. At around 2.7, it is still on the high side. It is always possible that the bond market will save the day by staging a rally. The toughness of the Fed's recent actions reinforces its inflationary credentials, and if as its critics charge, it risks slowing the real economy too sharply, there is nothing the bond market likes better than a good recession. Either way, the past week has rammed home one simple message. If you want to know where equities are headed these days, all you need to do is work out where bonds are going first.

**Stock Indexes and Averages**  
 Standard & Poor's 500: 3,400.00  
 Dow Jones Industrial: 3,400.00  
 Nikkei 225: 12,500.00  
 Hang Seng: 8,500.00  
 FT-SE 100: 3,033.50  
 FT-SE Mid 250: 3,480.30

## Pharmaceuticals

## Wheeler-dealers with bottomless wallets

Nearly \$25bn has been spent this year within the industry - but why? asks Daniel Green

What on earth are drugs companies doing? On Monday, Switzerland's

Ciba raised its stake in Chiron, a US biotechnology company, from 4 per cent to 49.9 per cent, valuing the 13-year-old California business at \$2.7bn. On Wednesday, the UK's Smith-Kline Beecham sold its annual health business for \$4.5bn to Pfizer, a US drugs giant.

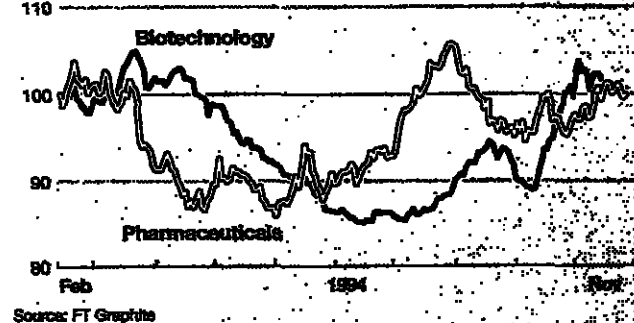
These deals were just the latest in a series in which almost \$25bn has been spent in pharmaceuticals this year. But there appear to be few common threads other than the vast sums involved.

Take SmithKline Beecham. Like Ciba, it has small stakes in biotechnology companies. But, in May, it spent \$2.3bn buying a US drugs distributor and another \$2.9bn in July on a company specialising in over-the-counter branded medicines. The seller in the second deal was Eastman Kodak, which sold the rest of its drugs business - prescription products - to Eli Sanofi of France for \$1.7bn.

Meanwhile, Switzerland's Roche, which already has more than 60 per cent of one of the biggest biotech companies,

## Biotech and pharmaceuticals compared

Leading biotech companies relative to FT-SE All-Share Index



Source: FT Graphite

Genentech, paid \$5.3bn for a conventional US drugs company, Syntex. Another drugs company, American Cyanamid, went to rival American Home Products for almost \$10bn, while US drug-maker Eli Lilly picked on a distributor and paid \$4bn.

Such furious deal-making is exceptional in any industry but doubly so for pharmaceuticals: during the 1980s, there were a mere handful of large mergers and virtually no acquisitions. In those days, though, drugs company executives were happy with their lot and confident of the future.

In the US, especially, new products were launched at premium prices. Patients demanded the best, doctors prescribed the new products - and billed the insurance company. Not surprisingly, the profits of drugs companies increased every year.

No more. In the 1990s, those who pick up the bill are learning how to drive a bargain. Outside the US, this means government legislation to cut prices: earlier this year, Japan forced through a 6 per cent cut, while Italy reduced the number of drugs available on its national health service.

In the US, the payers are mostly employers who offer health insurance to their staff. A decade ago, they began to use companies called health management organisations (HMOs) to buy medical services and drugs cost-effectively.

Today, one-fifth of those holding health insurance policies in the US are in "managed care". Their doctors are under pressure to prescribe drugs from an approved list of products which the HMO has obtained at cut prices. The effect has been salutary.

"Drugs company chiefs recognise that profits are going to be harder to come by," says Jacqueline Cantle, pharmaceuticals analyst at stockbroker Smith New Court. "One solution is to get bigger - hence the deal-making."

Yet, as any corporate raider will tell you, finding good buys is difficult. Each of the acquisitions this year appears to have flaws. The distributors are tiny businesses in highly competitive markets. Syntex and American Cyanamid are companies which have seen better days.

The biotechnology sector is having one of the worst years

in its short history. The average price of the 250-odd quoted US biotechnology companies has fallen by almost 30 per cent. In the UK, three companies were among the worst performers of the 130-plus stock market flotations of the past year.

Only SmithKline Beecham has so far put its deal-making into a wider setting. It says it is now a human health-care provider. It does not treat animals and is not confined solely to drugs. That means a halt to the deal-making, said Jan Leschly, its chief executive.

He added: "I can't rule out further acquisitions, but what's next is to make sure that we make the most of our investments through synergy and restructuring."

Still, while one company apparently bows out of the deal-making arena, another steps in. William Steere, Pfizer's chairman and chief executive, indicated that he had only just begun his series of acquisitions. And many other companies - notably Glaxo, Europe's biggest drugs company - have yet to start.

The fountain of cash from the drugs sector has not dried up.

## Barry Riley

## Why Wall Street lost its balance

Perhaps the only puzzle is that it did not happen sooner

With one foot on firm economic ground and the other on a drifting bond market, Wall Street finally lost its balance and took a ducking this week. The only puzzle, perhaps, is that it did not happen two or three months ago.

Regular readers will know that I have been pursuing two or three distinct but connected capital market themes for most of this year. Wall Street's correction takes the story into a new chapter.

One regular theme has been the worrying imbalance between the yields on fixed-interest bonds and equities as bonds worldwide have plunged into a severe bear market but stock markets have been reluctant to follow. Wall Street has stood out as a gravity-defying phenomenon: at the beginning of this week, the Dow Jones Industrial Average was still showing a gain of 2 per cent on the year thus far.

A second strand has been the impact of rising US short-term interest rates on the dollar bond market which, by the beginning of this year, was inflated dangerously by credit-financed speculation and massive positions in derivatives.

At the beginning of February, US Federal Reserve chairman Alan Greenspan said he would cease pumping up the financial economy with

cheap 3 per cent credit, and would raise short-term interest rates progressively to a normal level. So far, he has got to 5% per cent, with the US economy still booming, plainly he has not finished yet. Bonds have been weak all year as the leveraged positions have been unwound, and the recent drift up in the US Treasury 30-year bond yield from 8.0 to 8.2 per cent has finally cracked in the equity market.

Third, international flows of funds have been following a perverse pattern. Long-term investors around the world have been refusing to finance the extravagant habits of the Americans, reflected in a balance of payments deficit likely to be \$150bn for 1994. At the same time, Americans have been trying to diversify their pension and mutual fund portfolios by buying foreign equities, notably in the fashionable emerging markets of the Far East and Latin America. This has added greatly to the overall external capital needed to balance the US books.

The Japanese - who, obligingly, financed the US deficits in the 1980s and lost a lot of money by doing so - have sat on their cash at home. So, the dollar financing gap has been plugged largely through intervention by Far Eastern central banks anxious that their currencies should not appreciate too fast: they

have been big buyers of US Treasury bonds. Even so, the apparent one-way bet at the beginning of the year - that the dollar would climb along with interest rates - has gone seriously wrong. The further the dollar has fallen, the cleverer the Americans feel they are to push money overseas, and the more reluctant are the Japanese to throw good money after bad.

From a low point in the

its lowest levels since January.

Markets are being teased by the surprising strength of the global economy which, led by the US and the Asian tigers, is heading towards growth of something like 4 per cent. The implications for profits and dividends are plainly good, but interest rates and inflation may go up. So, the relationship between gilts and equities has been stretched, and this week reached breaking point.

There is, however, something very odd about this recovery: it is not being stimulated by bank lending. (In most countries, banks are struggling to find new business: in the UK, for instance, the housing market is remarkably sluggish as mortgage lending stagnates). Instead, the finance is flowing through the capital markets. This, especially in Europe, is leading to a lop-sided expansion, with companies full of cash but consumer spending relatively subdued.

This absence of credit stimulation is a good reason for believing that inflation will stay low. But there is an accompanying worry that the recovery will be short-lived. Exports and capital investment cannot keep the economy booming healthily on their own without buoyancy in consumer spending.

The immediate reason for the crack in US equities might

thus be that investors cannot any longer believe that profits' growth in the next few years will be high enough to justify the enormous income gap between shares (yielding under 3 per cent) and government bonds (around 8 per cent).

Looking a little further out, moreover, a structural shortage of demand for US equities seems likely to develop. As interest rates rise, mutual-fund buyers will drift back to their normal safe haven of savings deposits (this has already happened with bond funds). The US bond markets will continue to absorb a disproportionate share of the available capital flows as the national taste for borrowing collides with a low savings rate.

Eventually, money for equities will appear from somewhere: foreign buyers will probably move back into Wall Street stocks, which they have shunned for several years because they have been too expensive. British pension funds, for instance, have only 4.8 per cent of their portfolios in US equities, compared with 9.7 per cent in the Far East and 8.1 per cent in continental Europe. But US equities will have become quite substantially cheaper before this shift will seem attractive to foreigners.

Wall Street has taken a plunge. Now we shall see if it can swim.

## The relationship between gilts and equities reached its breaking point this week

summer, however, some of the stock markets around the world have tried to rally. The emerging markets, for instance, completed their shake-out in June and, by September, the IFC Index of 24 national markets was showing a recovery of 22 per cent. Even Wall Street got back to within about 1 per cent of its all-time high as recently as October 28. But this second minor bubble in equities has now blown up: Hong Kong lost 4.3 per cent on Wednesday alone and even Tokyo, normally resistant to international trends, dipped to











CURRENCIES AND MONEY

MARKETS REPORT

Lira weakens

The lira yesterday fell to a record low on the foreign exchanges amid continuing uncertainty about the survival of the prime minister, Mr Silvio Berlusconi, and his government, writes Philip Gasson.

The lira finished at London at L1.038 against the D-Mark, from L1.034. Analysts are now predicting that the lira could fall to L1.050, or even L1.100.

Market activity was quiet, as the Thanksgiving holiday in the US on Thursday spilled over into a long weekend.

The dollar traded in a very narrow range to close at DM1.588, from DM1.582, and Y98.766 from Y98.435.

Sterling had a stable day, despite lingering political uncertainty. It finished at DM2.439, from DM2.436, and at \$1.5631 from \$1.5621.

A magazine opinion poll showed 53 per cent of Italians felt Mr Berlusconi should not resign over the corruption probe, but currency markets proved less sentimental.

While there were no fresh developments to push the lira lower, sentiment clearly remains nervous. Investors appear to be troubled not so much by the prospect of another Italian government falling, as by what this would mean for managing the budget deficit, and pensions reform.

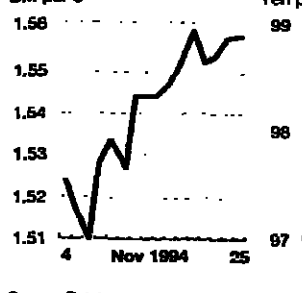
Although some analysts believe the lira could fall as low as L1.100 against the D-Mark, others believe the downside is more limited. Mr Neil Mackinnon, chief economist at Citibank in London, said he was "disinclined to raise his L1.050 forecast."

He said the bank's volume analysis suggested its customers already had long D-Mark positions against the lira. The scope for further selling was thus fairly limited.

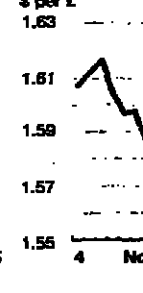
"I would not want to overdo the gloom, but it is very difficult to see the lira making significant headway, even in favourable political circumstances," said Mr Mackinnon.

The Belgian franc weakened slightly after a newspaper article, attributed to Swiss Bank Corporation, predicted a 10 per cent depreciation of the Belgian franc over the next

Dollar



Sterling



French Franc



Source: Deutschem

Source: Deutschem

Source: Deutschem

POUND SPOT FORWARD AGAINST THE POUND

Nov 25		Closing mid-point	Change on day	Bid/offer spread	Day's high	mid low	One month Rate	% P/A
Europe								
Austria	(Sch)	17.1522	-0.0188	455 - 588	17.1587	17.1101	17.1478	0.3
Belgium	(Bfr)	50.1114	-0.0211	721 - 307	50.1650	50.0310	50.0864	0.6
Denmark	(DKr)	7.5156	-0.0126	400 - 451	7.5494	7.5193	7.5413	0.2
Finland	(Fmk)	5.3718	-0.0473	071 - 240	5.5270	5.4520	-	-
France	(FFr)	1.7156	-0.0107	688 - 743	1.7302	1.7488	1.7305	0.1
Germany	(DM)	2.4368	-0.0227	358 - 373	2.4392	2.4298	2.4355	0.5
Greece	(Dr)	375.658	-0.592	557 - 755	375.930	372.894	-	-
Ireland	(Ir£)	1.0143	-0.0032	136 - 149	1.0157	1.0099	1.0141	0.2
Italy	(L)	2528.24	-0.232	705 - 842	2528.50	251.04	254.64	-3.0
Luxembourg	(Lfr)	50.1114	-0.0211	721 - 307	50.1650	50.0310	50.0864	0.6
Netherlands	(Fl)	2.7295	-0.001	285 - 303	2.7314	2.7363	2.7283	0.5
Norway	(Nkr)	10.8819	-0.0020	766 - 852	10.7088	10.6410	10.6816	0.1
Portugal	(Esc)	248.775	-0.253	678 - 877	248.876	248.155	250.655	-8.3
Spain	(Ptas)	203.439	-0.38	367 - 510	203.515	202.832	203.809	-2.2
Sweden	(Skr)	11.6741	-0.0259	644 - 838	11.7044	11.6024	11.6625	-1.9
Switzerland	(Sfr)	2.0643	-0.0012	634 - 651	2.0659	2.0557	2.061	1.9
UK	(£)	1.5631	-0.0017	755 - 806	1.5687	1.5711	1.5631	0.0
SDR		1.5631	-0.0017	755 - 806	1.5687	1.5711	1.5631	0.0
Asia		1.5631	-0.0017	755 - 806	1.5687	1.5711	1.5631	0.0
Latin America		1.5631	-0.0017	755 - 806	1.5687	1.5711	1.5631	0.0
Caribbean		1.5631	-0.0017	755 - 806	1.5687	1.5711	1.5631	0.0
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## COMMODITIES AND AGRICULTURE

## WEEK IN THE MARKETS

## Metals and coffee in retreat

London commodity markets languished yesterday as New York traders took a second day off to digest their Thanksgiving turkeys. And none was more languid than aluminium. After pushing to a fresh four-year high of \$2,015 a tonne for the three months delivery position on Tuesday the London Metal Exchange aluminium contract succumbed to the downward "correction" that most market analysts thought inevitable following the 15 per cent run-up of the past month. The price quickly backtracked below the \$2,000 mark and continued downwards as relatively modest selling met little buying resistance. The fall accelerated yesterday morning as speculative liquidation breached successive chart support points and by the close

LME WAREHOUSE STOCKS (As at Thursday's close)	tonnes
Aluminium	16,400
Aluminium alloy	1,872,150
Copper	28,700
Lead	1,560
Nickel	3,800
Zinc	1,208,770
Tin	145

three months metal was trading at \$1,897.50 a tonne, \$12.50 off the low but \$51 down on the day. Traders noted that the nearby supply tightness that had narrowed the cash discount against three months delivery to just \$1 a tonne at Monday's close had eased somewhat. Yesterday the discount ended at \$15.

Supply tightness was still very evident in the copper market, where the cash price remained at a substantial premium to the three months position. And with stocks of copper in LME warehouses continuing to fall prices bounced quite strongly after a mid-week shake-out. The three months quotation, which dipped to \$2,753 a tonne at one stage on Wednesday, closed yesterday at \$2,827.50 a tonne.

## WEEKLY PRICE CHANGES

	Lowest price	Change	Year on year	High	Low
Gold per troy oz.	\$364.85	+0.15	\$377.00	\$368.50	\$368.50
Silver per troy oz.	\$330.80	+0.10	\$315.50	\$344.50	\$334.50
Aluminium 99.7% (cash)	\$1872.5	-93.5	\$1930.0	\$1970.0	\$1970.0
Copper Grade A (cash)	\$268.5	-22.5	\$1893.5	\$2915.5	\$1731.50
Lead (cash)	\$268.5	+5.5	\$415.5	\$275.0	\$242.0
Nickel (cash)	\$1762.0	+25	\$4277.5	\$1765.0	\$2210.0
Zinc SHG (cash)	\$1143.0	-33	\$824.5	\$1185.5	\$800.5
Tin (cash)	\$3130.0	-70.0	\$4222.5	\$3270.0	\$4730.0
Cocoa Futures Mar	\$287	+3	\$1030.0	\$1124	\$285
Cocoa Futures Jun	\$283	-25	\$1230.0	\$401	\$1175
Sugar (LDP Raw)	\$357.7	-17.5	\$233.4	\$357.7	\$222.5
Bury Futures Mar	\$104.25	+0.75	\$106.75	\$105.50	\$92.55
Wheat Futures Mar	\$197.40	+2.50	\$191.85	\$171.50	\$37.80
Cotton Outlook A Index	70.00	+0.90	\$6.20	\$7.10	\$2.45
Wood (Oak Super)	40p	34p	48p	34p	34p
Oil (Brent Blend)	\$17.175	-0.445	\$14.46	\$18.61	\$13.16

Per troy ounce unless otherwise stated. © Pearson & Co. Ltd. 2000

unchanged on the week.

Nickel was the only market to resist yesterday's early weakness, with commission house buying enabling it to ignore news of a sizeable rise in LME stocks. An advance to \$7,810 a tonne for three months delivery proved unsupportable, however, and the price ended at \$7,745.50, \$3 on the day and \$23 on the week.

At the London Commodity Exchange the robust coffee market added substantially to last week's heavy fall.

Continued liquidation of long positions and an absence of roaster buying combined to push the January futures position down by over \$300 a tonne on Monday. Tuesday saw a tentative rally but this was snuffed out the following day after Brazil revealed that its coffee stocks stood at about 15m bags (\$500 each), substantially higher than traders had thought. The ensuing fall took the price to \$2,870 a tonne, \$1,260 below the 8½-year peak reached on September 21, when a prolonged drought in Brazilian growing areas was adding to crop worries caused by damaging frosts in June and July. The price bounced to \$2,987 a tonne but that was still \$296 down on the week.

"There is a significant battle between producers and consumers over which way prices go," commented Mr Lawrence, analyst at GNI, the London trade house. "The market is awash with coffee now, but it will be tight again next year."

In the meantime technical analysts are concentrating on the market's downside potential. "It does have a bit of a yawning chasm below it now," said Susan Rigg, of Chart Analysts, after Wednesday's plunge. And Bill Gifford, of Investment Research & Consulting, warned that, given the pace of the decline in recent days, it seemed "unlikely" that the coffee market would rally to reverse the downturn.

Chart patterns suggest that unless the January futures price can clamber back above \$3,300 pretty quickly a fall to \$2,600 could be on the cards.

Richard Mooney

## ECONOMIC DIARY - FORWARD EVENTS

**TODAY:** African, Caribbean and Pacific (ACP) Council of Ministers meets in Brussels to debate mid-term revision of EU-ACP Lomé Convention (to Dec 2). East Africa summit in Kampala.

**MONDAY:** Parliament votes on the increase in the UK's contribution to the EU budget. Major British banking groups' mortgage lending (October). EU foreign ministers meet in Brussels (to Nov 28). Parliamentary assembly of Western European Union (WEU) meets in Paris (to Dec 1). Strike by Belgian public sector company work-

ers. Mr Ahmed Esmat Abdel Meguid, Arab League secretary general, addresses Chatham House on "The future of Arab integration". FT conference "Financial reporting in the UK" in London.

**TUESDAY:** Mr Kenneth Clarke, chancellor of the exchequer, presents his budget for 1995/96. US consumer confidence (November). US House of Representatives votes on Gatt agreement. European Union energy council meets. Negotiations between Israel and PLO on elections in the West Bank and Gaza Strip are expected to

resume. Mr Helmut Schmidt, former German chancellor, speaks on the role of Europe at Chatham House.

**WEDNESDAY:** Economic trends (November). Monthly digest of statistics (November). US GDP (third quarter). European Parliament mini-session (to Dec 1). International Telecommunications Conference in Paris. Speakers include Mr Edouard Balladur and Mr Albert Gore.

**THURSDAY:** Share register survey report (1993). Welsh local government statistics (1994). US personal income (October); NAPM (November);

construction spending (October). US Senate votes on Gatt accord. Nato foreign ministers meet in Brussels (to Dec 2). FT conference "Venture Forum Europe '94" in London.

**FRIDAY:** US official reserves (November). US unemployment (November); leading indicators (October). Conference on Security and Co-operation in Europe (CSCE) Budapest review conference. Foreign ministers from the five-nation "contact group" trying to broker peace in former Yugoslavia meet in Brussels. General strike called in Italy.

**BASE METALS**

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ **ALUMINIUM, 99.7% PURITY** (\$ per tonne)

Cash 3 mths

Close 1872.5 1872.5

Previous 1942.3 1942.3

High/Low 1883/1882 1945/1875

AM Official 1883.5-6.5 1883.5-6.5

Karb close 255.451

Open int. 56,901

Total daily turnover 56,901

■ **ALUMINIUM ALLOY** (\$ per tonne)

Close 1840.45 1873.5

Previous 1883.70 1887.99

High/Low 1890/1870 1900/1870

AM Official 1895.40 1870.75

Karb close 3,004

Open int. 4,004

Total daily turnover 4,004

■ **LEAD** (\$ per tonne)

Close 699.9 694.5

Previous 672.5-3.5 690.91

High/Low 692/693 692/693

AM Official 697.7-5 695.8

Karb close 44.531

Open int. 3,260

Total daily turnover 3,260

■ **NICKEL** (\$ per tonne)

Close 7620.30 7745.6

Previous 7610.25 7740.45

High/Low 7620 7740/730

AM Official 7620.5 7740.50

Karb close 7620.5 7740.50

Open int. 65,898

Total daily turnover 10,575

■ **TIN** (\$ per tonne)

Close 6125.35 6205.10

Previous 6130.40 6210.20

High/Low 6130.40 6210.20

AM Official 6110.20 6150.5

Karb close 22,240

Open int. 2,318

Total daily turnover 2,318

■ **ZINC, special high grade** (\$ per tonne)

Close 1142.5-3.5 1189.70

Previous 1155.6 1181.2

High/Low 1148.9/1147 1184/1188

AM Official 1147.5-5.0 1174.5

Karb close 110,237

Open int. 9,541

Total daily turnover 9,541

■ **COPPER, grade A** (\$ per tonne)

Close 2857.4 2827.8

Previous 2852.8 2825.6

High/Low 2857.4 2827.8

AM Official 2857.4 2827.8

Karb close 2857.4 2827.8

Open int. 238,255

Total daily turnover 38,515

■ **LME AM Official 2½ rate** 1.5895

LME Closing 2½ rate 1.5897

Spot 1.5893 3 mths 1.5851 6 mths 1.5820 9 mths 1.5807

4pm (25 Nov)

Price rise 5% One month 5.51 Two year 7.30

Stable fall rate 5% Three month 5.52 Three year 7.34

Polished 6% Six month 5.53 Six year 7.35

Polished at intermediate 6% One year 5.54 Seven year 7.36

Polished at intermediate 6% Two year 5.55 Eight year 7.37

Polished at intermediate 6% Three year 5.56 Nine year 7.38

Polished at intermediate 6% Four year 5.57 Ten year 7.39

Polished at intermediate 6% Five year 5.58 Eleven year 7.40

Polished at intermediate 6% Six year 5.59 Twelve year 7.41

Polished at intermediate 6% Seven year 5.60 Thirteen year 7.42

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Polished at intermediate 6% Nine year 5.62 Fifteen year 7.44

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Polished at intermediate 6% Eighteen year 5.71 Twenty four year 7.53

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Polished at intermediate 6% Forty six year 5.99 Fifty two year 7.81

Polished at intermediate 6% Forty seven year 6.00 Fifty three year 7.82

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Polished at intermediate 6% Forty nine year 6.02 Fifty five year 7.84

Polished at intermediate 6% Fifty year 6.03 Fifty six year 7.85

Polished at intermediate 6% Fifty one year 6.04 Fifty seven year 7.86

Polished at intermediate 6% Fifty two year 6.05 Fifty eight year 7.87

Polished at intermediate 6% Fifty three year 6.06 Fifty nine year 7.88

Polished at intermediate 6% Fifty four year 6.07 Sixty year 7.89

Polished at intermediate 6% Fifty five year 6.08 Sixty one year 7.90

Polished at intermediate 6% Fifty six year 6.09 Sixty two year 7.91

Polished at intermediate 6% Fifty seven year 6.10 Sixty three year 7.92

Polished at intermediate 6% Fifty eight year 6.11 Sixty four year 7.93

Polished at intermediate 6% Fifty nine year 6.12 Sixty five year 7.94

Polished at intermediate 6% Sixty year 6.13 Sixty six year 7.95

Polished at intermediate 6% Sixty one year 6.14 Sixty seven year 7.96

Polished at intermediate 6% Sixty two year 6.15 Sixty eight year 7.97

Polished at intermediate 6% Sixty three year 6.16 Sixty nine year 7.98

Polished at intermediate 6% Sixty four year 6.17 Seventy year 7.99

Polished at intermediate 6% Sixty five year 6.18 Seventy one year 8.00

Polished at intermediate 6% Sixty six year 6.19 Seventy two year 8.01

Polished at intermediate 6% Sixty seven year 6.20 Seventy three year 8.02

Polished at intermediate 6% Sixty eight year 6.21 Seventy four year 8.03

Polished at intermediate 6% Sixty nine year 6.22 Seventy five year 8.04

Polished at intermediate 6% Seventy year 6.23 Seventy six year 8.05

Polished at intermediate 6% Seventy one year 6.24 Seventy seven year 8.06

Polished at intermediate 6% Seventy two year 6.25 Seventy eight year 8.07

Polished at intermediate 6% Seventy three year 6.26 Seventy nine year 8.08

Polished at intermediate 6% Seventy four year 6.27 Eighty year 8.09

Polished at intermediate 6% Seventy five year 6.28 Eighty one year 8.10

Polished at intermediate 6% Seventy six year 6.29 Eighty two year 8.11

Polished at intermediate 6% Seventy seven year 6.30 Eighty three year 8.12

Polished at intermediate 6% Seventy eight year 6.31 Eighty four year 8.13

Polished at intermediate 6% Seventy nine year 6.32 Eighty five year 8.14

Polished at intermediate 6% Eighty year 6.33 Eighty six year 8.15

Polished at intermediate 6% Eighty one year 6.34 Eighty seven year 8.16

Polished at intermediate 6% Eighty two year 6.35 Eighty eight year 8.17

Polished at intermediate 6% Eighty three year 6.36 Eighty nine year 8.18

Polished at intermediate 6% Eighty four year 6.37 Ninety year 8.19

Polished at intermediate 6% Eighty five year 6.38



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**BUYING PRICE:** Also called offer price. The price at which units are bought by investors.

**SELLING PRICE:** Also called bid price. The price at which units are sold back by investors.

**TREATMENT OF MANAGER'S PERIODIC CHARGE:** The letter C discloses that the trust deducts all or part of the manager's periodic charge from the unit price. For full details of the effect of this

by the owner. The apartments are on balconies: (97) - 1100 houses (98) - 1701 to 2400 houses (99) - 1401 to 1700 houses (99) - 1701 to 2400 houses. Daily cleaning prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**INITIAL CHARGE:** Charges made by a unit before construction and

**BUYING PRICE:** Also called offer price. The price at which units are bought by investors.

**SELLING PRICE:** Also called bid price. The price at which units are sold back by investors.

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**EXIT CHARGES:** The letter E denotes that an exit charge may be made when you sell units; contact the manager for full details.

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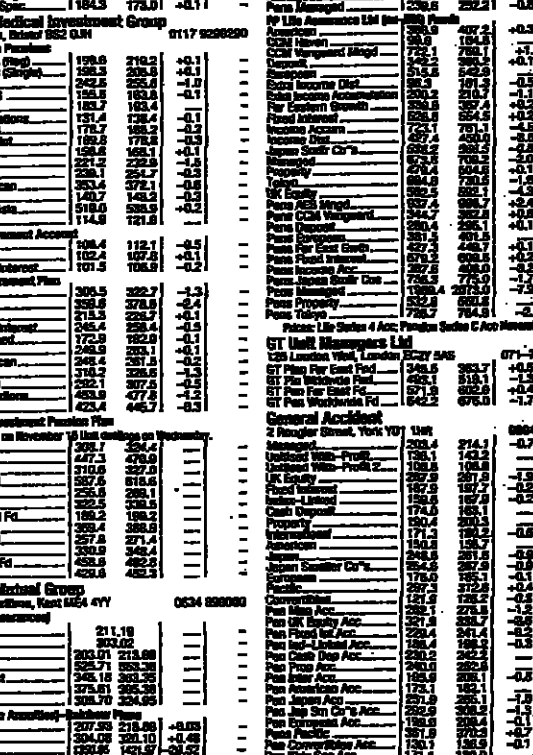
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## INVESTMENT TRUSTS - Cont.

Investment Trust	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	9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## High dividends cut British Assets' reserves

# Ivory and Sime plans to reorganise trust

By Norma Cohen,  
Investments Correspondent

Ivory and Sime, the Edinburgh-based fund manager, yesterday proposed a reorganisation of its flagship investment trust, British Assets Trust, whose income has been insufficient to pay the high dividends promised to investors.

Under the plan some shareholders will forgo dividends for seven years in return for the right to buy more shares at a special price.

Ivory and Sime will also reorganise the assets of another investment trust it manages, Investors Capital Trust.

British Assets, which owns 36 per cent of ICT, will sell its stake. Together the two trusts have nearly £1bn in assets, about a quarter of all Ivory and Sime's investment trust assets under management.

"Ivory and Sime has been the investment manager over the past 10 years and is not entirely free of blame. Performance has not been up to par," said Mr

Colin Hook, managing director designate at Ivory and Sime.

Earlier this month, British Assets, which has about 60,000 shareholders, said its net asset value had fallen 7.6 per cent to 102p per share for the year to end September. In that time, the FT-SE Actuarial All-Share Index rose 0.3 per cent.

Mr Hook said the directors of both trusts had considered sacking Ivory and Sime, but had reconsidered after management changes. It is expected that the chairman of British Assets, Mr Roger Ingis, will step down after 37 years on the board.

British Assets' charter promises investors it will pay dividends each year which outstrip above the rate of inflation. In the event, British Assets has only been able to keep its dividend promise to shareholders by eating into reserves.

"We are now down to about 47 per cent cover (reserves over dividend expense) and it would only be a matter of time before our reserves are depleted," said Mr Richard Muckert, newly

appointed fund manager.

Under the proposals, 16 per cent of shareholders must agree to receive no dividends for seven years by converting some of their ordinary shares to a new class of "growth share".

Each growth share will come with five warrants, entitling the investor to buy new ordinary shares in seven years at a price equal to British Assets' net asset value at the reorganisation date.

Those who retain ordinary shares can expect dividend growth to continue as promised. Institutional shareholders have already indicated their intention to take up at least 16 per cent of the new shares.

However the proposals cannot be adopted unless 75 per cent of shareholders attending an extraordinary general meeting next month vote in favour.

British Assets shares closed yesterday at 84p, up 15p on the day, after 22m shares changed hands in unusually heavy trading. The shares are trading at a discount of 7 per cent to net asset value.

## Sale of National Car Parks group collapses

By Simon Davies

The £650m sale of the company that owns National Car Parks collapsed yesterday after its largest shareholders would not accept the final deal.

The sale, to Prudential Venture Managers and a consortium of venture capitalists, would have been the largest leveraged buy-out in the UK this year, and negotiations had dragged on for more than eight months.

It is understood that Sir Donald Gosling and Mr Ronald Hobson - the founders and 72 per cent shareholders of National Parking Corporation (NPC) - valued the company at almost £50m more than PruVen was prepared to pay.

PruVen, part of the Prudential insurance group, is believed to have offered about £550m cash, with a further £100m of deferred payments if NPC met performance targets.

Both sides emphasised that the parting was amicable. PruVen remains NPC's second-largest institutional shareholder.

"Nothing in the due diligence [the report into the company's finances] suggested that the company was anything other than what we had thought it was," said Mr Martin Clarke, a director at PruVen. "We were paying a full price, they wanted a slightly higher price, and we couldn't make the two meet."

PruVen's consortium included Charterhouse Development Capital, Cinven, Electra, Montagu Private Equity, NatWest Ventures and Royal Bank Development Capital.

NPC's shares, which are traded on a matched bargain basis, fell 100p yesterday to 450p. The shares reached 630p earlier this year on expectations that a deal could be worth up to £1bn.

NPC's two key operating companies are National Car Parks and Green Flag, which owns National Breakdown Recovery and Home Emergency Service.

The group published net assets of £242m at March 1994, but the car parks are valued at cost and analysts put the asset value closer to £400m. NPC made a £50.5m pre-tax profit last year.

PruVen planned to bring in Mr Bob McKenzie, former BET finance director, as a new chief executive, but would have left the remaining management structure intact.

The deal was to have been only 50 per cent funded by debt, an unusually low level for a venture capital buy-out.

However, Mr Clarke was insistent that NPC should have sufficient capital to grow, and would not raise more debt to meet the founders' asking price.

Sir Donald and Mr Hobson will continue to manage the group, but it is expected that they will search for an alternative buyer at a later stage.

## THE LEX COLUMN

# Yorkshire pudding

The Leeds Permanent Building Society has proved a misnomer. If its proposed merger with the Halifax is completed, it will no longer be based in Leeds, it will cease to be a building society and its name will have proved less than permanent. The reasons for this extraordinary move, which will eventually create a bank with assets of £90bn, are not hard to fathom. The mortgage market is being forced to rationalise as building societies struggle with low volumes of new business. Their problems have been compounded by ever keener competition from the banks.

Halifax and Leeds claim the merger should provide the combined group with sufficient size to compete successfully. But size for size's sake is nonsense, and it is disturbing that both institutions play down the scope for rationalisation. They insist, for example, that both headquarters will be kept, redundancies will be voluntary and branches will be maintained. The societies' managements should be mindful of the dangers of failing to cut costs: when the Nationwide and Anglia merged in 1987, there was little rationalisation for several years and consequently a poor return on assets.

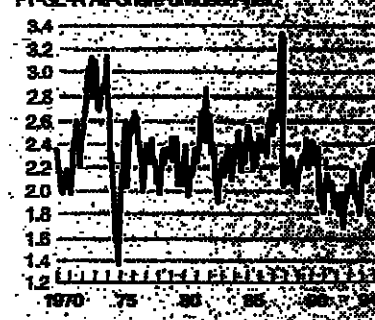
Members should not become overly concerned about the end of mutual status. For one thing, they will profit personally from the transformation of the societies to a public limited company, as they will receive equity in the new bank. Management, faced with the disciplines of running a quoted group, could hardly prove less accountable than at present. The business may benefit too. The switch in status will allow Halifax to raise funds from wholesale markets more easily to fill the gap created by the deceleration in the growth of deposit-taking. But more freedom will bring greater risks: the last time societies were given greater freedom, they charged into estate agency with disastrous consequences. So the new shareholders will have to keep management on a tight rein.

Even if members agree to the marriage it may not necessarily be consummated. The merger must clear some tough regulatory hurdles, not least of which is the Office of Fair Trading. Last year the combined group would have had nearly 23 per cent of the UK mortgage market. However, given the few barriers to entering the mortgage market and the opportunities for new distribution methods such as direct selling by telephone, the group's market share

FT-SE Index: 3033.5 (-3.1)

Yield gap

20-year bond yield differential to FT-SE All-Share dividend yield



Source: FT Graphs

should not prove problematic.

Once the group has been floated with an expected market capitalisation of £80m-£90m, it should become a formidable competitor. That will place additional pressure on banks and building societies. A series of further financial earthquakes can be expected in the UK, emulating either the latest deal, or Lloyds Bank's takeover of Cheltenham & Gloucester.

## Markets

Sentiment has buffeted the London stock market all week. In the first half, the plunge on Wall Street caused the damage - though it is hard to argue that British equities are overvalued. The ratio between bond and equity yields is actually below its average since 1970. Since Thursday, the market has been dogged by political worries. Again, sentiment rather than logic has been decisive. Not only is it highly unlikely that Mr John Major will be defeated in a leadership challenge, even if he were, it is not obvious why the market should care.

Next week sentiment could move in the other direction. True, political rumblings will continue, until it is clear that Mr Major is home and dry on Wednesday. But provided Mr Kenneth Clarke, the chancellor, can make himself heard above the din, he should have good news for the markets when he presents the Budget on Tuesday. He should be able to cut his forecast for next year's public-sector borrowing requirement to £24bn or less. That should be positive for gilts, with equities benefitting in their wake. Investors are already giving the government some credit for its responsible monetary policy, a convincing statement of fiscal policy would reinforce its standing among international investors, particularly given the parlous state of many other governments' finances.

The real worry is not next week's but next year's Budget. Mr Major will be tempted to agree a high-spending, tax-cutting Budget to sweeten voters just before the next general election. But it is not clear that it would be in Mr Clarke's interest to compromise his reputation for fiscal responsibility. The more he can reassure investors on Tuesday about 1995 the better.

## Deutsche Telekom

The Deutsche Telekom privatisation will be big in many ways, not least in the size of the fees the investment banks involved in the deal expect to collect. But how is one to explain the astonishing DM450m (£180m) fee "pot" being talked about? Is it the reward for thousands of hours hard work by an array of highly-paid bankers, analysts and salesmen? Or is it a reflection of imperfect competition in the supply of global equity distribution services?

The answer is probably a mixture of both. Certainly, the work put in by scores of banks on large deals like Telekom is mammoth. Banks also need to invest big sums in building a distribution infrastructure that gives them global reach. On the other hand, the international primary distribution business is, by all accounts, extremely profitable. If competition were functioning effectively, one would expect price-cutting to reduce fees.

There are two reasons why this does not happen. First, the industry is an oligopoly: only a handful of banks can arrange global distribution, with the rest providing local feeder networks. Second, though banks fight fiercely for new business, they compete on the quality of their distribution networks rather than their fees. Surely it is better, they tell clients, to receive the maximum sales price for their equity through excellent distribution than skimp on the commission but receive lower overall proceeds. Few clients are able to resist such sales patter.

Still, the banks may not have it all their way this time round. The German finance ministry has already indicated that it intends to drive a hard bargain on fees. Such is the prestige of being involved in the Telekom deal that few banks would be willing to drop out, however low the commissions.

## Serbs push into Bihac

Continued from Page 1

provoking retaliation by the Serbs. This tactic had eventually worked, they said.

The UN was also trying yesterday to negotiate a ceasefire throughout Bosnia, a proposal which was approved in principle by both the Serbs and the Muslim-led government.

However the two sides' ceasefire terms seemed to be mutually exclusive. The Serbs wanted an indefinite ceasefire, while the government side - wary of freezing the existing battle lines - called for a three-month truce only.

Mr Jovan Zametica, an adviser to the Bosnian Serb leadership, set tough conditions for the "demilitarisation" of Bihac, saying: "We Serbs have the legitimate right to defeat and disarm the... government forces."

## Telekom role

Continued from Page 1

London, where it owns Morgan Grenfell, the UK investment house. It said the Deutsche Telekom share sale would make a strong contribution to the German financial market and the development of an equity culture.

Up to DM5bn of the issue by Deutsche Telekom, the largest telecommunications concern in Europe, will be sold to German investors. The company also intends to list shares on Wall Street, making the choice of a US bank as joint global manager almost inevitable.

## Lira falls to fresh low over concern on pension reform

By Robert Graham in Rome

The lira fell to a record low against the D-Mark yesterday on fears the Italian government had given way to union demands on pension reform in order to head off a general strike planned for next Friday.

There was also increased nervousness about the plight of Mr Silvio Berlusconi, the prime minister, who is due to be interviewed - probably this weekend - by Milan magistrates about alleged corruption while he ran his Fininvest business empire. Mr Berlusconi dismissed the options open to himself and his embattled government in a frosty meeting with President Oscar Luigi Scalfaro yesterday. The prime minister's supporters claim the president is seeking to accelerate Mr Berlusconi's downfall and replace him with a government of national salvation.

Despite progress during a meeting on Thursday between the government and the unions, the union leadership yesterday refused to call off the eight-hour stoppage. The unions were confident the increasingly weak right-wing coalition would make the concessions necessary to let them call off the strike.

A fresh negotiating session is scheduled for Wednesday. This would follow a cabinet meeting called to ensure all partners in the coalition are ready to back the final passage of the 1995 bud-

get through parliament. Mr Scalfaro is understood yesterday to have insisted on the need to pass the budget before any government crisis comes to a head, and to avoid instability through a clash with the unions.

The concessions centre on removing pension reform proposals from the budget and finding alternative sources of revenue. However, financial markets were concerned that by treating the issue of pension reform separately the budget would be weakened and the eventual reform could be watered down. The lira slipped to L1,039 against the D-Mark in late Milan trade compared with Thursday's L1,035.

The prime minister's position was further weakened yesterday because of his failure to obtain a public declaration of support for himself and his government from Mr Scalfaro. Mr Berlusconi had to deny instead that he was not "at war" with the president.

Also yesterday, newspapers published leaks from an impending decision of the constitutional court on the legality of the 1990 law on television ownership. The court was reported to have concluded that Mr Berlusconi's ownership of three commercial channels was unconstitutional. If so, the media magnate turned premier would have to divest at least one channel by 1996.

Man in the News, Page 10  
Currencies, Page 17

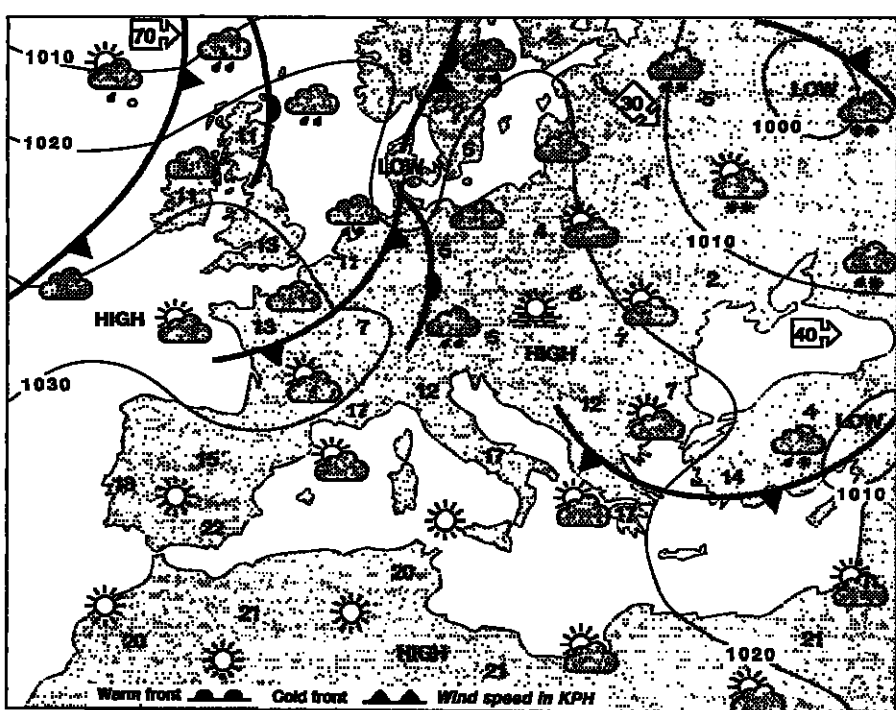
## FT WEATHER GUIDE

### Europe today

High pressure over the Gulf of Biscay will bring calm, cloudy conditions to France and the south of Britain. Northern Ireland, Scotland, the Netherlands, Denmark and western Germany will have rain. The Mediterranean will be sunny and dry, with temperatures of about 20C in southern Italy and Spain. Turkey and the eastern Balkans will have some showers, with snow on higher ground. Snow and northerly winds will continue in European Russia. Northern Europe will have some snow on higher ground and in the north, with rain elsewhere.

### Five-day forecast

A strong high-pressure area will move into western Europe from the Atlantic, bringing fog and patchy cloud to England, the Low Countries and France. The Mediterranean will have heavy rain and thunderstorms. A series of frontal systems arriving from the west will bring rain, sleet and snow to Northern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

### TODAY'S TEMPERATURES

	Maximum	Belling	fair	11	Osaracas	fair	31	Faro	sun	15	Rangoon	cloudy	33
Abu Dhabi	28	Belfast	fair	12	Cardiff	rain	13	Frankfurt	sun	20	Reykjavik	rain	8
Algiers	28	Birmingham	fair	12	Cardiff	rain	13	Glasgow	sun	18	Rio	fair	29
Amsterdam	18	Bombay	showers	6	Chicago	cloudy	9	Hamburg	sun	12	Rome	fair	17
Athens	18	Buenos Aires	showers	24	Colombo	rain	9	Heidelberg	sun	12	S. Francisco	fair	12
Atlanta	24	Calcutta	showers	11	Dallas	cloudy	21	Hong Kong	sun	29	Seoul	fair	7
B. Aires	18	Chennai	showers	11	Dhaka	sun	29	Honolulu	cloudy	28	Singapore	rain	31
Bangkok	32	Dubai	fair	8	Houston	sun	25	Isle of Man	showers	4	Taipei	fair	3
Barcelona	18	Guangzhou	showers	7	Jakarta	sun	15	London	cloudy	11	Tokyo	fair	13
		Harbin	sun	25	Los Angeles	sun	25	Madrid	sun	18	Toronto	cloudy	6
		Manila	sun	25	London	sun	15	Moscow	sun	12	Vancouver	snow	2
		Medan	sun	25	Luxembourg	showers	7	Mumbai	sun	20	Verona	cloudy	11
					Madrid	sun	22	Nairobi	sun	20	Vienna	cloudy	7
					Manila	sun	25	Nice	sun	18	Warsaw	fair	3
					Medan	sun	25	Nicosia	sun	18	Washington	sun	15
					Medan	sun	25	Paris	cloudy	11	Wellington	sun	15
					Medan	sun	25	Perth	cloudy	11	Winnipeg	fair	4
					Medan	sun	25	Prague	showers	4	Zurich	fair	6

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مكاتب التحرير

# Weekend FT



## Battle of the super-jumbos

Paul Betts explains how competition and new technology are changing the face of air travel

**I**t was a Jesuit priest who introduced me to the art of frequent flying. "Wear a dog collar," he declared one Sunday from the pulpit of the Church of the Holy Redeemer in Chelsea. "It can work miracles."

As one who has flown more than 150,000 miles in the past year, I know what he means. Wearing the cloth is only one of many ways to persuade the world's airlines to offer an upgrade to an improved class. A word of warning, however. Not everyone welcomes a priest in the first-class cabin.

Dom Anthony Smith, a Benedictine monk from Downside Abbey in Somerset, had settled comfortably into his first-class seat in full monastic robes, sipping champagne and tucking into the caviar en route to Hong Kong with Cathay Pacific Airways.

"You hypocrite," said a loud Australian next to him.

"No," he replied. "I had an economy ticket but was upgraded because my brother Peter is the chairman of the airline."

"You are a liar as well as a hypocrite," snapped the Aussie.

Frequent flyers have all had to develop their own tech-

niques to survive the rigours of modern air travel. But they are having to sharpen their skills because air travel is set to become even more confusing as airlines adapt to huge changes in their market.

Aviation is in a state of revolution as the industry struggles to achieve profitability and adapt to forces of competition brought on by liberalisation and the evolution of a once elitist mode of travel into a mass transport system. Last year, more than 1.25bn people travelled by air. The industry expects the number to double by 2005.

On the ground, many big airports are already saturated. Since the construction of a new airport takes up to 30 years (for example, Munich which opened last year), some of the busiest airports such as Heathrow or Frankfurt may eventually be forced to turn airlines away.

In the air, the congestion is just as bad. Unless traffic control systems in Europe and other parts of the world can be modernised fairly soon, many of the world's busiest air lanes will find it hard to cope with the expected 5-6 per cent a year growth in traffic.

It all adds up to more delays

for passengers and heavier costs for airlines, which have accumulated losses of \$15.6bn during the last four years on their international scheduled services alone. Although business is picking up, this year's profits are expected to be less than 1 per cent of the industry's turnover.

While traffic is rising again, competition is holding down fares and passenger yields. As the business traveller has traditionally subsidised the majority of people who fly economy, airlines have had to offer increasingly complex inducements to lure them into their aircraft. But they have had to go further. To fill their aircraft, they have had to extend these offers to the bulk of their economy passengers. Each carrier wants to fill every last seat on its craft, almost at any price, but on the other hand to maximise overall profits. These conflicting pressures yield increasing opportunities for alert passengers, but plenty of pitfalls as well.

All big airlines, even those which were at first reluctant, have had to introduce frequent flyer loyalty programmes for business travellers; many are improving their airport lounge facilities with showers, busi-

ness centres and, in some cases, fitness centres and swimming pools; others offer free limousine services to airports, luggage pick-up or drop-off services, and valet parking at airports.

These incentives, especially

**Airlines reckon that many who have accumulated free miles and other bonuses will never take them up**

for high fare paying passengers, are likely to multiply because airlines expect that only a fifth of passengers will be travelling in premium class cabins by the turn of the century. But you need to develop the eye of a detective to make the most of these offers. The inducements vary greatly from airline to airline, and many carriers will volunteer to tell passengers what benefits they can claim only if asked.

British Airways, for example, offers generous free air miles for passengers flying across the North Atlantic, where one of the fiercest battles for market share is being waged between European and US carriers. But on other routes, the number of free miles is much smaller. A full fare paying economy passenger flying from London to San Francisco receives 750 free miles. If he flies to Hong Kong he gets 125.

Such schemes have helped airlines win business but they are now in danger of becoming a serious embarrassment. Several million seats are now thought to be covered by frequent flyer schemes. If every one were to take up their entitlements, the industry would be in deep trouble.

Airlines, however, calculate that many people who have accumulated free miles and other bonuses, will never take them up. At present, the redemption rate is around 30-40 per cent, and airlines believe they are safe provided they budget for about 20 per cent more. But there is a dangerous precedent. The troubles of Pan Am in the late 1980s were severely aggravated by the high proportion of passengers taking up free flight entitle-

ments from its bonus programme. The famous airline ultimately went bust.

To some extent, the industry has learnt its lesson. Many of the incentives now offered are designed to encourage people not to take them up. Many airlines have set a time limit (on average two years) for the redemption of free miles. Many impose restrictions on when you can fly, to avoid swamping their system with free seats.

They are also increasingly offering passengers alternative benefits such as sending free bouquets of flowers, reduced car hire rates, free hotel rooms and other gifts.

The development of big computer reservation systems, providing carriers with up-to-the-minute information on the booking situation of any flight at any time on any day, and the growing freedom to set fares is also forcing consumers to keep a tight watch on prices. Airlines call it yield management. It means they can adjust prices, especially in the high

volume economy cabin, to match demand. As a result, economy class fares in Europe can vary by \$100-£150 on any given route. On long haul flights, the variations are even more pronounced.

"If you have time, it pays to shop around," advises an Air France official. "By making a few telephone calls, you can find very attractive deals with airlines as well as bucket shops."

The airline scramble for market share has produced another phenomenon: overbooking. It was originally a product of the aviation boom of the late 1980s and disappeared as the industry went into recession after the Gulf War. But with the recovery, it is making a comeback. Although airlines are now forced to compensate any confirmed passengers who are denied boarding, some deliberately continue to flaunt the industry's "good airline practices" in an effort to

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**NEXT WEEK**  
Four pages of Christmas books



Joe Rogaly

## All present and correct

Why we abandon restraint in the use of language at our peril

**T**o be politically correct may be good for us, in small doses. This observation is not conventional. What we are supposed to say about the pc tendency is something like "cannot stand them" or "the trouble with lesbians..." or "beware the new censorship" or "this is stultifying orthodoxy" or, mostly, "sue them".

It is too simple. When good liberal folk like you and me consider who is decidedly against pc, we begin to see some merit in it. Some of the anti-PCers are particularly twitchy. Their knees jerk so far to the right they look like one of the bent-metal nudes that won the Turner prize this week. Can we walk with such individuals before taking any such step.

Our starting text is the memorandum prepared by the Conservative Party and leaked to the FT this week. It cites "disturbingly correct, liberal of politically correct, liberal of politically correct" as "the main reason not to vote Labour".

This glowering suspicion was measured by qualitative survey research into the opinions of 80 subjects of the Queen who voted Conservative in April 1992 but who now say they might or would not say they are these people? According to their general range of views they are right-wing

Tories, shock troops for Michael Portillo or Alf Garnett. They say the same sort of thing as do the natural authoritarians identified in the British Social Attitudes survey described here last Saturday. They may reflect the opinions of as much as 40 per cent of the electorate.

These are in no way pc. Respondents to the Maples memorandum expressed "very right wing views on crime and immigration, deep disapproval of 'scrounging' on social security" and "deep fear of 'loony lefties'". These are mists and fog patches in which lurk hangers and floggers, xenophobes and homophobes, putative bullies who tremble in fear at changes they do not like. We broad-minded cosmopolitans must take care. The party that meets their dreams would probably sweep the country.

Or would it? On Thursday Patrick Nicholas was forced to resign as vice-chairman of the Conservatives. The MP for Teignmouth had made an error. In an article in the Western Morning News he described the French as "a nation of collaborators", the Germans as "warmongers" and lesser members of the European Community as "beggars". Mr Nicholas misjudged the level of bigotry to which it is safe to descend in print. He

offended Conservative political correctness.

Other famous Tories have done the same. Enoch Powell lost his place in the Conservative party following his "rivers of blood" speech. The late Nicholas Ridley had to leave the cabinet after writing an article in *The Spectator* magazine in which he expressed views of the Germans with which Mr Nicholas might well

**Freedom to say what we like does not absolve us from possible consequences**

have concurred. This week the same journal carries a letter accusing its editors of being unable to distinguish between "racist cant" and "thoughtful commentary".

It is signed by 15 luminaries of the film world, including Kevin Costner, Kirk Douglas, Charlton Heston, Frank Mancuso, Steven Spielberg, Barbra Streisand...you name a name, it is there. The 15 object to a recent article by William Cash in which he asserted that most of the members of Hollywood's "New Establishment" were Jews. The editor says that Mr

Cash's use of the word "cabal" was "unfortunate", but has otherwise published a prolonged defence of the original piece. In passing, he observes that two years ago Mr Ferdinand Mount, editor of the *Times Literary Supplement*, wrote that he had found, in *The Spectator*, articles "of an astonishing sourness attacking the Italians, the French (twice), the Swiss, the Greeks, the Poles, the Russians, the Germans..."

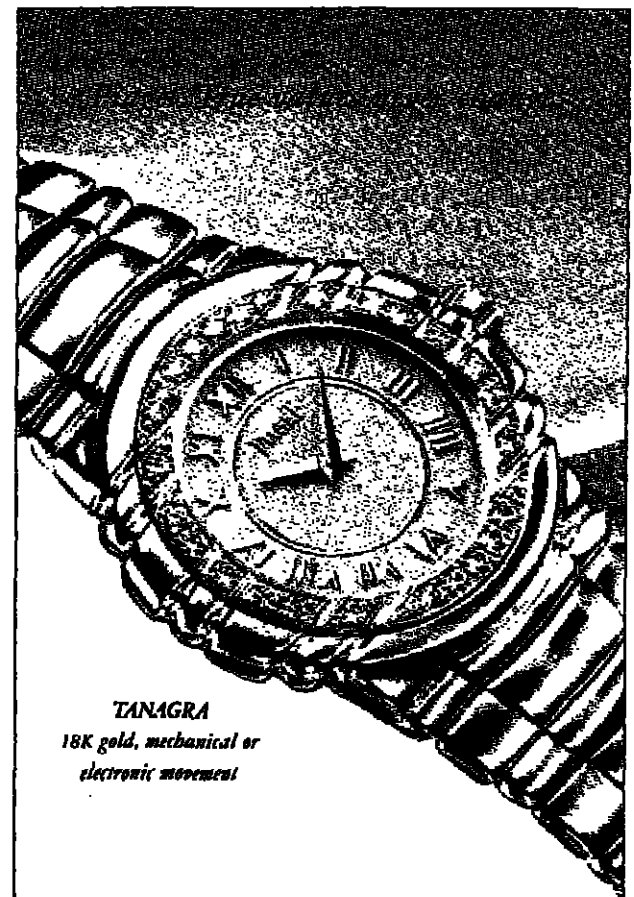
I am not surprised. *The Spectator* is a stimulating current affairs weekly, not to be missed, if only for its cartoons. I always pick it up first, yet over the years I have felt the same unease as has Mr Mount. The house journal of the British right sometimes appears not to comprehend that there is indeed a potential connection between verbal disparagement and actual discrimination. Freedom to say what you like, which I would defend with the best of them, does not absolve any of us of the need to consider the possible consequences of our remarks.

This is not to say that we should all now become absolutely politically correct. Never. The phrase embraces most of the manifestations of contemporary social ferment, including militant feminism, coercive campaigns against smokers, an illiterate rejection of works by "dead white Euro-

pean males", and absurd attempts to tailor the English language. You would have to be very intellectually challenged to swallow even a tenth of it.

Yet the motivations of moderate purveyors of pc are not always malign. In Johannesburg in the 1950s there was much debate among white editors about what to call black South Africans. Your political position was defined by whether you preferred the derogatory "kaffir", the condescending "native", apartheid's "bantus" or the civilised "African". The history of the spread of white acceptance of blacks as equals may be traced in the dwindling usage of the three offensive words. In the course of his lifetime, Nelson Mandela has been called all four.

The women's movement could doubtless produce a similar analysis of the etymological history of the feminine gender. Disabled and handicapped individuals may likewise attest that crude terminology represents the thinking of an unkindlier age. I do not propose excessive virtue here. The transference of phrases once confined to lavatory walls to the front of printed T-shirts is an example of what happens when restraint is abandoned. Such obscenity is tedious. But language that assaults groups can be lethal.



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PERSPECTIVES

**I**t was a grim coincidence that the first comprehensive exhibition of artefacts recovered from the Titanic opened at the National Maritime Museum in Greenwich a few days after the sinking of the ferry Estonia.

The fascination surrounding the loss of the supposedly unsinkable Titanic, on its maiden voyage, was overshadowed by the shock of the sinking of a modern ferry at a cost of more than 800 lives. The Titanic went down after it struck an iceberg off Newfoundland on April 14, 1912. Only 705 of the 2,228 passengers and crew survived.

Timing apart, historians and naval experts see other parallels between the two doomed vessels. Both were designed and built to prevailing standards but both were found wanting.

The Titanic was launched when the number of lifeboats carried reflected the cubic footage of the vessel devoted to passenger accommodation rather than the number of passengers and crew. Its designers added a 12 per cent safety margin to the minimum required by the Board of Trade but there were still only enough lifeboats for half those on board.

A more comprehensive subdivision of the Titanic by internal bulkheads - a design issue which is again being hotly debated after the Estonia sinking in October - might have saved the liner, some experts think.

For 73 years the Titanic lay undisturbed, up to two miles down on the floor of the Atlantic Ocean. The prospect of ever finding the vessel and answering the unsolved mysteries of its sinking appeared remote.

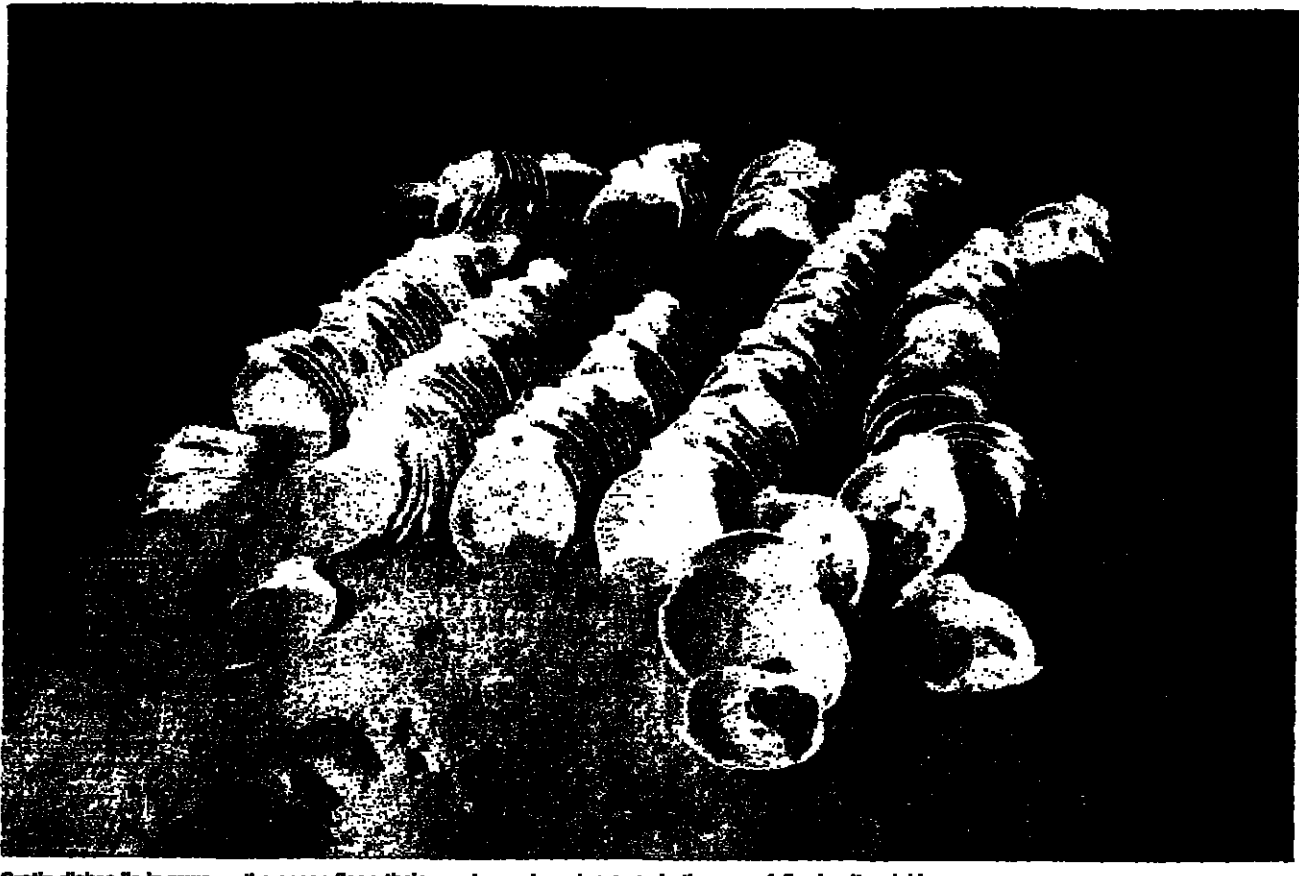
But in 1985 the wreck was discovered by a joint French-US expedition.

RMS Titanic Inc, a New York-based company, was declared "salvor in possession", meaning that it had unique rights to explore the vessel and raise material.

The company has since carried out three expeditions, the most recent in July, using a submersible provided by the French Oceanographic Research Institute. It has raised a total of 3,600 artefacts.

RMS Titanic is committed to raising material from the Titanic and putting it on general display. It is pledged not to sell any of its finds.

Some 150 objects are on display at the maritime museum.



Grain dishes lie in rows on the ocean floor, their wooden racks eaten away in the years following the sinking

# Thinking the unsinkable

Charles Batchelor considers the modern parallels exposed by an exhibition about the Titanic, which sank in 1912

play at the maritime museum, include a ship's porthole, metal deck bench ends and a letter from a manufacturer lamenting the demise of the feather box as a fashion accessory.

Video footage taken from the submersible shows the ship's rail, chandeliers hanging in a long-abandoned state room and racks of plates.

The chance to stage the exhibition was offered to the maritime museum "out of the blue" by RMS, says Dr Eric Kentley, a curator.

There are no plans to take the exhibition to any other museums around the world though the maritime museum and RMS are working on designs to establish a permanent museum to display the material.

The Japanese meanwhile, have announced plans to build a full-scale replica of the Titanic to act as a floating hotel and conference centre.

All the details of its interior would be replicated although there would be no engines or steering gear.

As the Titanic sank into the darkness of the Atlantic it broke its back and landed in two separate sections. When it hit the ocean floor the bow section ploughed into the mud, obscuring to this day the details of how large a gash was caused by the iceberg.

"The technology exists to remove the silt from the bow section but the problem is to find the capital to get the equipment down there," says John Eaton, a historian with an interest in the Titanic going back more than 45 years.

Recovery of material has been limited to the sea around the vessel. A decision to treat its interior as a grave site has meant that no attempt has been made to raise artefacts from inside the hull. Although very few survivors of the sink-



A cracked porthole

ing are still alive "people are very sensitive about anyone going into the hull", comments Dr Kentley. Eaton confesses to finding this ban "very frustrating".

Although the intense cold, the absence of light and low oxygen levels on the ocean bed

have slowed the deterioration of the Titanic, chemical attack and sea-bed bacteria have eaten into the metal, staining many objects black.

A comparison of the photographs taken in 1986, and those from a descent in 1993, show a marked deterioration of the wreck, says Eaton. Dr Kentley thinks there may be as little as 10 years left to continue work on the hull before it disintegrates.

RMS and its backers are keen to raise more material from the wreck. However, even if a sudden deterioration was to halt work, enough has been raised to create a powerful reminder of the fate of the Titanic, and any other vessel and its crew which underestimate the power of the sea. The exhibition, says Dr Kentley, "is a timely reminder that the sea signs no treaties."

**The Wreck of the Titanic. Until April 2, 1995.**

## The Nature of Things/Clive Cookson

# New conclusions from old studies

**Y**ou are an ambitious medical researcher working on a controversial issue - say, the effect of diet on cancer or heart disease. Several clinical trials have been published, giving contradictory results. How can you make the biggest impact in the field?

The traditional way would be to raise millions of pounds worth of research grants to carry out the definitive study, with a better procedure and more participants than any previous trial.

An alternative approach is to gather all your predecessors' work and re-analyse their results, using a powerful statistical technique known as meta-analysis. This could lead to a clear conclusion much more quickly and at far lower cost than organising a new study.

The foundations of meta-analysis were laid in the 1970s by epidemiologists such as Richard Peto in the UK and Thomas Chalmers in the US. They were looking for a path through the confusing thicket of data thrown up by the proliferation of clinical trials.

Meta-analysis involves combining the results of separate studies carried out to answer the same question - for example, does eating garlic reduce the risk of a heart attack? The reason for pooling data is to iron out the chance fluctuations which can obscure the significance of individual studies.

The conventional target for achieving "statistical significance" is a probability of more than 95 per cent that a result was achieved through the drug or activity being studied, rather than by chance. If the effect is real though fairly small, it may not show up in 20 studies with 300 people but it should give a statistically significant outcome in a combined analysis of 6,000 people.

A systematic review of all clinical data, including meta-analysis, is quite different to the informal reviews traditionally published in the medical literature. These often miss

important conclusions by looking at the evidence as a collection of individual studies and dismissing the ones that do not have a statistically significant outcome.

Meta-analysis made its first big impact in 1985 when Richard Peto and Rory Collins of the ICRF Clinical Trials Unit in Oxford transformed the treatment of breast cancer by showing that a drug called tamoxifen improved five-year survival rates.

In the cardiovascular field, it was not until 1988 that the medical profession recognised the ability of thrombolytic "clot-busting" drugs such as streptokinase to save the lives

**If someone had done the meta-analysis, it could have saved half a million lives**

of heart attack patients. By then, 70 separate clinical trials had been carried out on a total of 47,000 patients.

Yet statisticians now calculate that there had been enough clinical evidence to prove the effectiveness of streptokinase as early as 1973, when 10 trials had taken place with 2,500 patients - if only someone had done the meta-analysis. The introduction of routine thrombolytic therapy then, rather than 15 years later, would have saved more than half a million lives worldwide.

It would be wrong, however, to give the impression that meta-analysis is an easy option. The first essential is to draw up clear objectives for the review, with criteria for including or excluding studies. Then you have to track down the data, which may be the hardest job of all. Despite the spread of computerised databases, conducting a worldwide search for all published studies

is an enormous task; there are an estimated 20,000 medical journals worldwide, many in foreign languages.

But serious reviewers must also search for unpublished studies. Otherwise the meta-analysis may suffer from "publication bias" - the tendency for researchers and journals to publish studies with a positive outcome, in preference to those that are inconclusive or negative.

Deciding which studies to include or exclude is fairly straightforward when the meta-analyst is looking at the effect of drugs. Then he or she can restrict the field to "randomised controlled trials" in which the subjects are divided at random into two groups; one takes the drug and the other a placebo, and ideally neither the patients nor the researchers know which is which.

For "observational studies", examining for example the impact of diet, smoking or environmental factors on health, the eligibility criteria become harder to define and implement. And when meta-analysis moves away from health to the social sciences, there is great scope for ambiguity and confusion.

Social scientists are turning to meta-analysis as a way of settling issues ranging from the impact of pre-school education on later academic achievement to the effect of job training on unemployment. But its use here is still controversial. Some argue that individual studies are too dissimilar in methodology and quality for the results to be pooled.

Most health researchers, however, have embraced meta-analysis as a powerful new tool for fishing original conclusions out of old data. At the same time, they point out that meta-analysis does not remove the need to refresh the pool with well-designed new studies, such as the big Scandinavian trial of cholesterol-lowering drugs published last week. Medical progress will require a co-ordinated combination of the two approaches.



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## HOW TO SPEND IT

# Direct deals for phone addicts

Judith Gubbay calling... what service do you require?

As the telephone breaks loose from the home and the office, the services you can call on it are expanding.

It is 9pm on Sunday. You have just returned home after two weeks of sun-baked idleness. What is the first thing you do? If you are anything like Jane, my friend, the first thing is to open your mail. The second is to ring your bank.

Jane is a worrier, and one of the envelopes she opened suggested that her finances were not as well-ordered as she thought. "I knew I wouldn't be able to sleep until I'd sorted it out, so I picked up the phone."

Jane's call was to First Direct, the pioneer among telephone banking services. Had she been feeling frivolous - or more anxious about the contents of her wardrobe - she might have rung Next Directory or Racing Green for a copy of their new catalogues.

She could have called RailDirect, to order train tickets for her trip to Leeds at the end of the month, or checked on how her shares were doing, or booked a seat for the Tuesday night showing of *The Browning Version*.

Ordering goods by phone is hardly new: UK consumers have been summoning pizzas and Chinese meals to their homes for years. What is new - and growing fast - is the number and range of services available that bypass the shop-front and the middleman, using special free or cheap phone numbers so that it does not matter (to you) where you are calling from. Many are open most, if not all, hours. These, covered with increasingly sophisticated information and entertainment lines, for which you pay a premium, may transform UK shopping habits.

The Henley Centre's Teleculture 2000 report shows that more than 50 per cent of people in the UK are using the phone to organise their financial affairs. Some 39 per cent use it to buy from catalogues. BT's own research suggests that travelling, parking and queuing are turning consumers from conventional shopping.

First Direct customers' experiences bear out the other main attraction. "I enjoy being able to pay my bills at odd times of the day or night - whenever it suits me," says civil servant Steven Jones. First Direct confirms that Sunday evenings are a peak business time.

Drawbacks to telephone shopping seem few; best advice, however, is always to keep a note of your transactions and orders.

No directory of these services exists - so here, for the benefit of the unconverted, is a selection of telephone services:

**FREE-TO-YOU PHONE CALLS**  
Many companies charge nothing if you want to order a catalogue. They quote a special FreePhone number, starting with 0800 (the Mercury Free-call prefix is 0500). The FreePhone numbers listed here are for placing orders (have your credit card details handy) and for inquiries.

**Lands' End: 0800-220106.**  
"Direct merchants" of American-style casual clothing; same number for catalogue. Twenty-four hours, seven days a week (except Christmas Day).

**Laura Ashley by Post: 0800-869100.**  
Clothes and home furnishings from special catalogue; same number for catalogue itself. Seven days a week, 8am-10pm.

**RailDirect: 0800-450450.**  
Tickets, reservations, price and timetable information; journeys between any UK stations, minimum ticket value £10, posted first class within 24 hours. Seven days a week, 8am-10pm (except Christmas Day or Boxing Day).

**Talking Pages: 0800-600900.**  
Computerised directory of suppliers of goods and services, nationwide, who have paid to advertise. Be ready to note the numbers. Seven days a week, 24 hours.

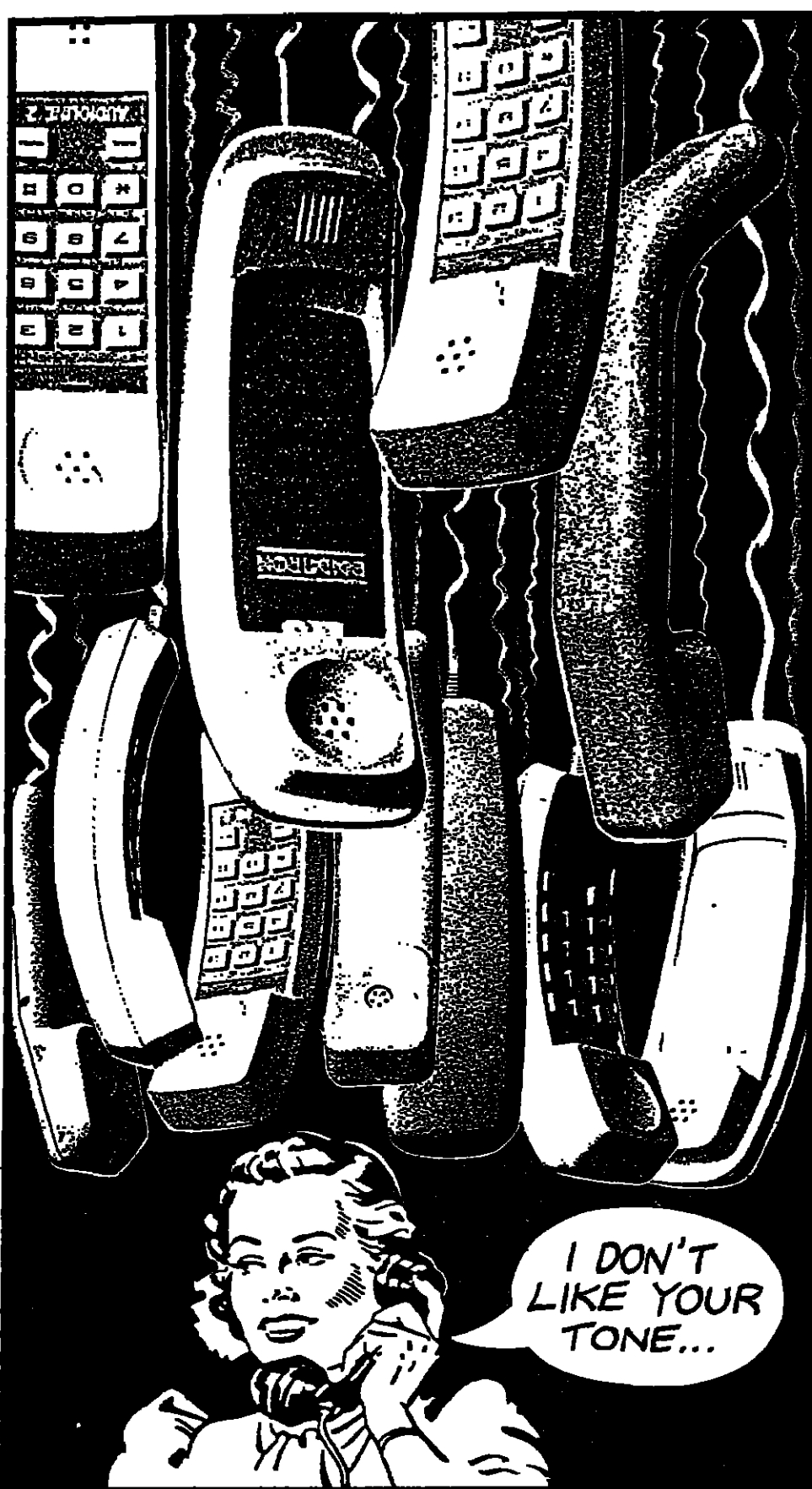
**UCI cinemas: 0800-888907.**  
Seat reservations at any of UCI's 26 cinemas; 40p credit card booking charge; collect tickets at cinema. Phone 8am-11pm (to midnight, weekends). Out-of-hours answering service.

**FREE INFORMATION, LOCAL-RATE SERVICE**  
First Direct: 0800-222000.  
The original telephone banking service (now widely imitated). Many add-ons to straight current account handling, including ordering foreign currency couriered to your door. All banking services (on 0345-100100) 24 hours a day, seven days a week.

**NATIONAL SERVICES, NATIONAL RATES**

With some centralised suppliers, you pay only the local call rate, irrespective of where you are - and they - are in the country. These Lo-call numbers have the 0345 prefix (Mercury's equivalent, LocalCall, is 0645). Some of these examples use the same number for ordering their catalogue or brochure and ordering goods; as before, expect to give credit card details if you want to order.

**Dillons Direct: 0345-125704.**  
Order books for delivery by courier within 16 days from Dillons' catalogue (from shops or this number); delivery



charge £3 for orders under £35, free above £35. Phone between 9am and 5.30pm; answering machine for out-of-hours orders (leave card details, own phone number).

**The Music Store: 0345-123123.**  
CDs, tapes, LPs, post and packing free; computerised catalogue means they can track down what you want and advise on specific recordings; delivery within seven days: 8am to 8pm, seven days a week.

**Next Directory: 0345-100500.**  
Pioneering direct seller of clothes, furniture, accessories; £3 for catalogue (unless you send it back); courier delivery within 48 hours (large or valuable items may be slower); delivery charge £2.50 per order. Seven days, 8am to 11pm, answer service for out-of-hours orders.

**Portland Holidays: 0345-951000.**  
Biggest direct sales tour operator in UK; this number is for the brochure (your nearest regional number, at normal rates, is the one for information, advice and to make bookings over the phone, 8am to 5.30 weekdays, 9am to 3pm Sat-urday).

**Thornorton's Choc Express: 0763-241444.**  
Gift confectionery sent by post to the address of your choice; order before 3.30pm for next-day delivery; ring this number for price-list/order form and to place credit card orders. Seven days a week, 9am-6.30pm, answering machine out of hours.

**Racing Green: 0345-331177.**  
Catalogue-based classic casual clothes and accessories; same number for catalogue itself; Parcelforce delivery. Seven days a week, 8am-10pm.

**DOING BUSINESS DIRECT, FULL-RATE**  
Some of the businesses that deal directly with their customers by phone, cutting out agents, brokers and the like, say that the main benefits - apart from convenience - is the lower cost.

With the following organisations, you pay the full price of the call, so have your paper work to hand before you call.

**Direct Line insurance: 081-686 2468.**  
Car and home insurance; quotes given, policies taken out over the phone; other phone numbers for regional offices outside London area; payment by credit card, direct debit, Switch. From 8am to 8pm on weekdays, 9am to 2pm Saturday. Guardian Direct is similar.

**Body Shop by Mail: 0903-733888.**  
Catalogue toiletries; credit card telephone orders. Weekdays, 9am to 5.30pm, answering machine for out-of-hours orders.

**Travellers' Healthline: 0839 337733.**  
Pre-recorded information from the Hospital for Tropical Diseases; interactive service, allows you to select which parts of the message to listen to.

Britain's Best Traditional Sofas

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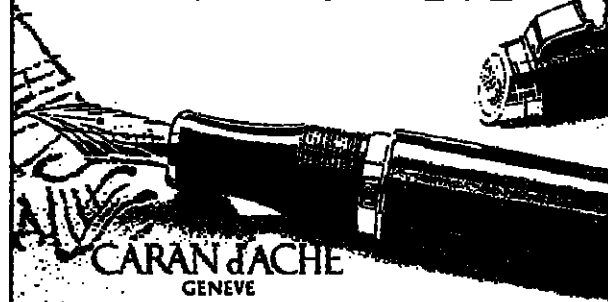
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# A brush with the professionals

Perfect as a present for the would-be sophisticate is a set of make-up brushes. Any one who has ever had a professional make-up knows that brushes are the basic tools.

Maggie Hunt, one of Britain's leading make-up artists, creator of looks for Naomi Campbell, the Princess of Wales *et al*, has put together a set of brushes, each designed to do a specific job.

To the uninitiated, 11 different brushes may seem a trifle excessive, but Maggie Hunt is convinced that the properly made-up face requires them all - from eyebrows to complexion, from lips to eye shading, brushes are the way to get the truly finished look.

Handles are of painted wood, the hair fine quality and a set costs £95, including a smart leather wallet. A leaflet with a step-by-step guide shows the professional way to use them. Available from Harrods and by post (£2 extra for mail order) from Lion Brush, Planet Place, Killingworth, Newcastle upon Tyne, NE12 0RZ. Tel: 081-268 2266.

Lucia van der Post

# Wipe away the tears

When Max Factor took the last solid block mascaras off the shelves, many women were disappointed.

A few, possibly, shed a blackened tear at the loss of the peculiar "spit and stick" ritual which allowed them to control exactly how much mascara they applied to their lashes.

Chanel has come to the rescue with a 1990s version of the traditional cake mascara. Le Regard (£29) is what Chanel terms monochromatic make-up; it contains an eyeshadow, eyeliner and mascara in one sleek compact - and the right tools to create the smouldering, smoky eyes that the Chanel models peered through on the catwalk.

To complete the look, false eyelashes with a difference are now available. These "One by One Semi-Permanent Eyelashes" (£3.95) have nothing in common with the 1960s variety that left women looking heavy lidded and drowsy. The new eyelashes can last up to three weeks and are light, waterproof, and can be used happily by contact lens wearers. Carmel Allen

The British Designers Sale has become a fixture in the shopping lives of many a chic lady who lunches.

Here the canny shopper often finds her designer numbers at sharply reduced prices. Unfortunately, membership of the list for the women's sale is full but there is a menswear version of the designer sales at which would-be snappy dressers can search for bargains.

More than 25 top European designers (no, we are not allowed to mention names but they are English, French, Italian, American and German) will be selling samples, ends of lines and surplus stock at greatly reduced prices - anything and everything from suits, jackets, ties, socks, shirts and overcoats plus (curiously) a selection of silk lingerie to gladden the eye of women who accompany the men.

The men's sale takes place twice a year and the next is on Saturday December 3 from 10am to 6pm at the Kensington Hilton. There is a £2 charge at the door and only cash or cheques (no credit cards) are accepted. L.v.d.P.

# Make way for Puffas

First it was the Barbour jacket that made its way from the hunters and the shooters of the world to the city movers and shakers.

Then it was the turn of quilted Husky jacket to make the transition from stablewear to status symbol. The Italians, in particular, embraced it wholeheartedly. They wear Huskies over their tailored jackets, keeping the chill at bay in smart street cafes.

Now is the turn of the super-padded Puffa to leave the stable and rub shoulders with its catwalk imitators.

Once best-known as part of the Michelin man, the padded jacket has been taken up and reworked by top flight designers from Donna Karan to Jesse Miyake and is now found in every high street store. The trendiest (and cheapest) are from Warehouse (£69.99) and Miss Selfridge (£24.95) while Next has a good one with detachable sleeves in its catalogue at £69.99.

Those who prefer the original Puffa will find it in bright colours, as well as the traditional dark blue, at around £90.

But the most exclusive and sought-after by far has to be the silvery, waisted version by Gucci at £380. Definitely more at home on the back of a Harley than a horse.

Carmel Allen

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HOW TO SPEND IT

# The conservatory as a year-round asset

Lucia van der Post on the joys of spending the winter under glass

The conservatory first became popular with Victorian industrialists who, as they began to travel, developed a passion for exotic blooms and exuberant foliage and needed to devise ways of nurturing these delicate plants through Britain's dreary winters.

Glass-houses were the answer and as glass became less and less of a luxury, as techniques for casting and building with iron developed, their popularity spread among the bourgeoisie.

As an essential ingredient in Victorian romance (how many love affairs began to bloom behind the potted palms?) and a vital part of the social life of their day, they survived well into Edwardian times.

However, as they became more accessible and attached to smaller and smaller houses, they became too workaday for the rich and gradually fell out of favour.

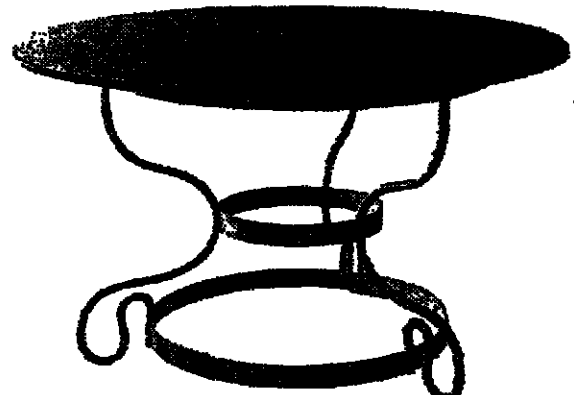
It was not until the mid-1970s that interest in building conservatories began to revive. Peter Marston, who started a company that is now called Marston & Langering in the early 1970s, says that when he first started purveying the notion of conservatories he often had to explain "that we did not build music schools" so very unfamiliar had the idea become.

It remains as true now as it was in the last century that conservatories come into their own most magically during the long, grey winter months. And they offer us a means of making indifferent summers bearable, with the illusion of being in a garden, surrounded by lush greenery.

Conservatories also make entrancing settings for parties - summer or winter - and now that they are once again in fashion (after the en-suite bathroom and the hand-painted kitchen, a conservatory, it seems, is next on the home improvement list) there is a



Room for all seasons: warm tones, rugs, throws, cushions and blinds



Josephine dining table with glass top, from £205

proliferation of accessories - everything that the well-dressed conservatory requires.

For those thinking of embarking on building a conservatory or for those who already have one but are looking for ways of improving

it, Peter Marston has written an authoritative guide: *The Book of the Conservatory*. He also has some excellent ideas for making them an all-year-round household asset.

The most important relate to double-glazing and heating,

essential for those who want a tropical illusion in the midst of a British winter. The Victorians went in for vast boilers and radiators and seemed to have been blessed with a happy unconcern for heating costs.

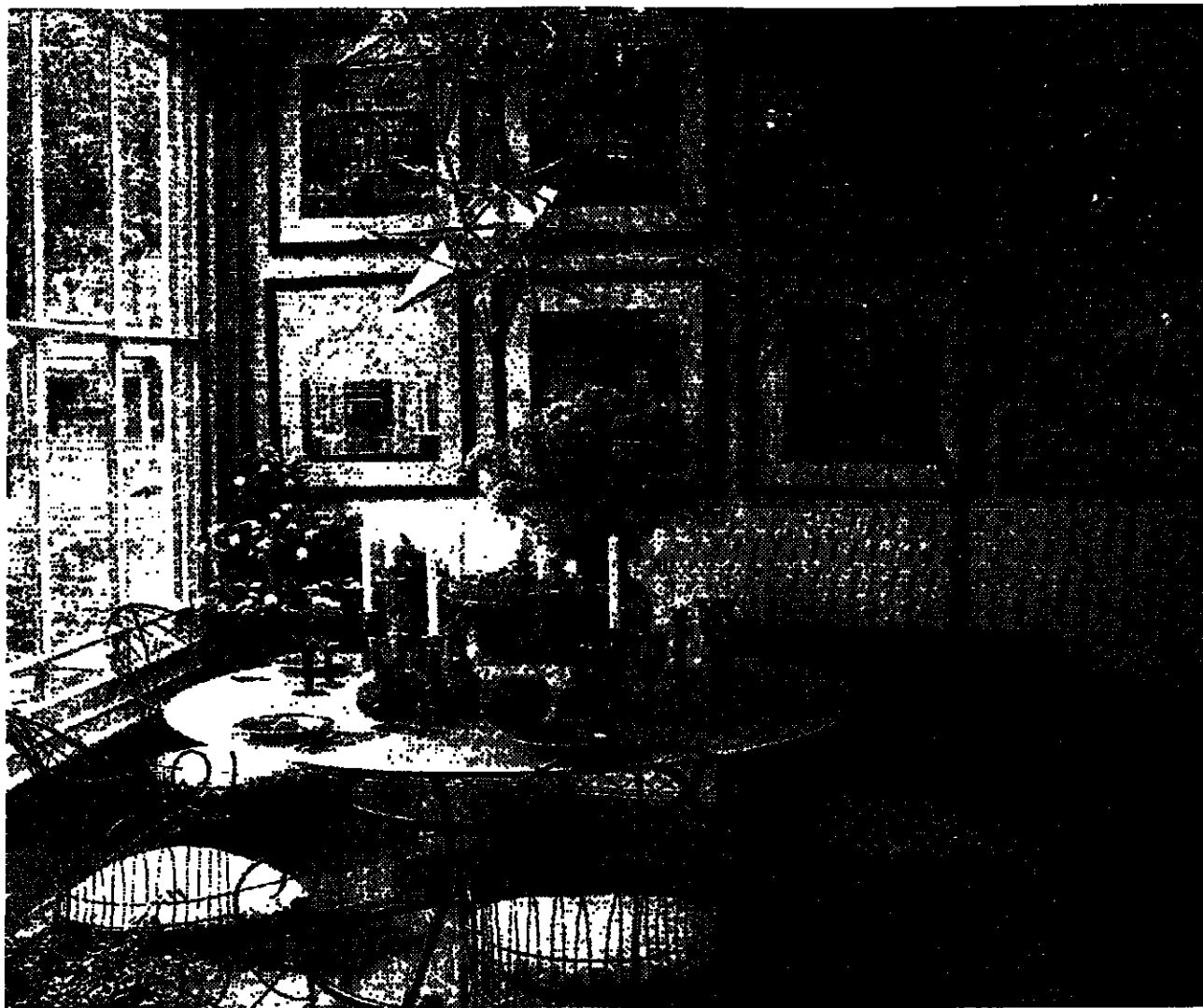
These days double-glazing and insulation are the key, if heating costs are not to be astronomical. All that should then be required is a simple extension of the domestic central heating system - ideally with separate controls so that the conservatory can be heated independently at night. Under-floor heating is ideal and Marston & Langering has developed a system which uses extremely elegant cast-iron floor grills, wonderfully reminiscent of the intricate ironwork that so characterised those first Victorian designs.

As the winter nights set in, the sense of summer coolness and light can be replaced by a cosier feel with rugs on the terracotta or stone flooring, cushions and throws can be added to sofas and chairs (see the photograph here) and blinds which in the summer keep out the glare can, in winter, be used to keep warmth in.

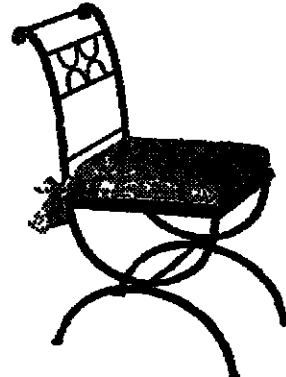
For winter evenings and parties, there is nothing more beautiful than candlelight but lanterns are probably safer and there are plenty to choose from. Peter Marston developed a range of furnishing accessories specifically for conservatories, because so many of his customers found that once they had the structure there was no single source of appropriate accoutrements.

The Marston & Langering shop at 192 Ebury Street, London SW1 is one of the best places to start looking. Here are lanterns of every kind, from the pumpkin-shaped one photographed here to the hanging star or the Moorish-inspired version.

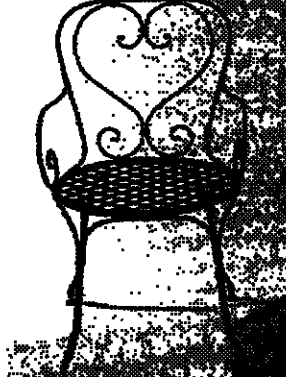
The shop also offers the wickerwork furniture that seems appropriate for a light-filled setting, with the throws



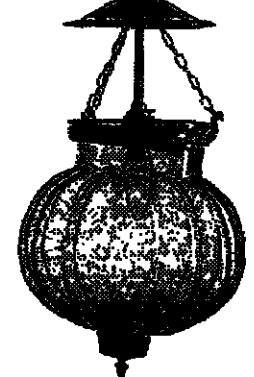
Wrought-iron furniture, candlelight and plenty of foliage create a magical setting for a winter's evening dinner



Wrought-iron dining chair in dark green with tie-sided cushion, £180



Replica of a 19th-century French wrought-iron chair, £282



Pumpkin lantern in green glass and antique metal, £220



Wall-mounted Davy lantern, hand-finished in weathered brass, £175

and cushions that will transform it in winter. But for an inspirational glimpse of the extra dimension that a well-designed and enchantingly furnished conservatory can add to living, I recommend Peter Marston's book - the colour pic-

tures are inspirational. They feature every mood from sunny cool and tranquil through to exotic, rich and intricate.

Particularly useful is the glossary of suitable plants and how to look after them, the

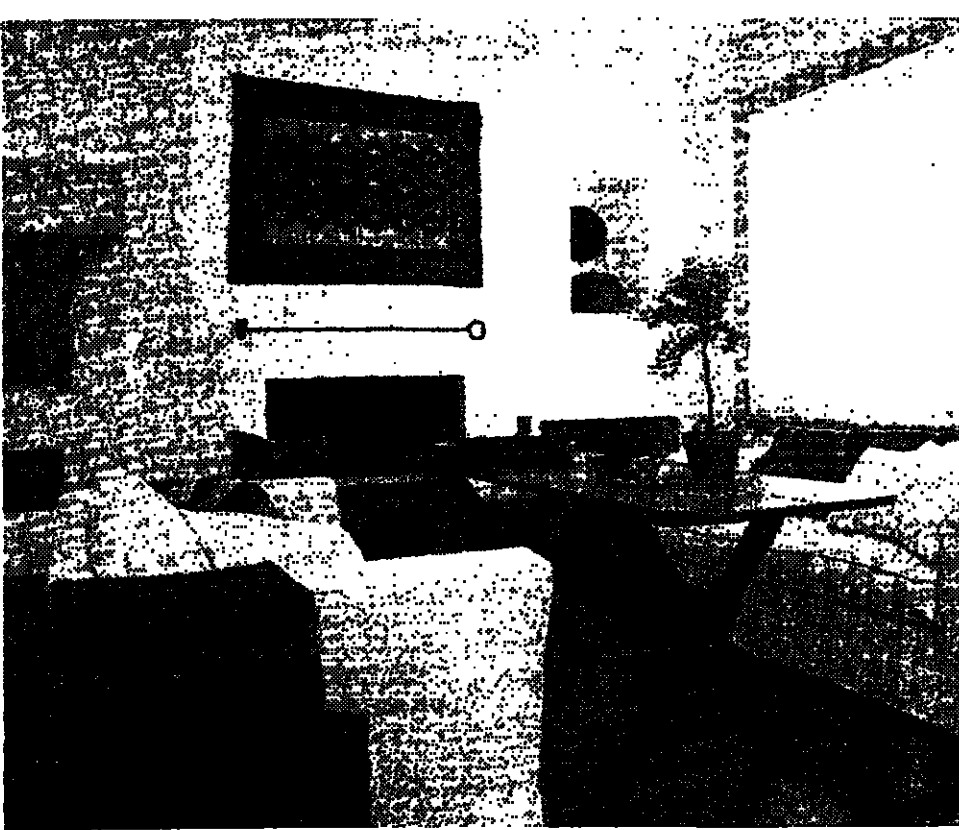
practical advice on the things you really have to get right from the beginning - such as flooring, heating, double-glazing - and the lists of designers, builders and suppliers of furniture, jardinières, hanging baskets and all the other trap-

pings that the new owner will find himself obliged to buy. \*Published by Weidenfeld & Nicholson, 176 pages, £13.99, available by post from Marston & Langering, George Edwards Road, Fakenham, Norfolk NR21 8NL. Tel: 0326-864933.

## Home in on the basics

Lucia van der Post on Conran

When the House Book by the then Terence Conran came out in 1974 I was in the midst of doing up a terraced house in London. I, and most of my friends, seized upon it with relish, for here at last was a book that seemed to speak to us. Here was a book that addressed the everyday problems of making a house work without the irritating assumptions so prevalent in the glossy interior magazines of the day that we either aspired to images of ancestral grandeur or suburban cosiness. It offered a vision of a contemporary way of living that related to our lives and incomes. But above all it showed us the virtues of simplicity, of investing in basics



A typical interior from The Essential House Book - simple without being austere, modern yet timeless

such as the structure of the house, of getting the lighting right, the heating, the flooring first. Style, or the addition of the more movable elements such as furniture, curtains, pictures, lamps and all the rest, ran the subtext, could almost

take care of itself provided the basics were right.

In some ways there seems scarcely any need to update it, so classic, so fundamentally sensible is the advice.

But Sir Terence has just produced a bigger, equally well-illustrated 1994 version which he calls *The Essential House Book*.

The fundamental philosophy has not changed. Here, for instance, are a couple of paragraphs from the Introduction: "A home is greater than the sum of its parts and getting the practicalities right is only half of the story. For most people, the special significance of 'home' lies at a deeper level. Home is where we feel at ease, where we belong, where we can create surroundings which reflect our tastes and pleasures. Creating a home has a lot to do with discovering those elements that convey a sense of place."

"Investigating these basic ideas relegates 'style' to something of a side issue. Fashions in decorating fluctuate like hemlines, whereas notions of comfort and intimacy date back hundreds of years. This is not to say that style isn't fun or even useful. But it is ultimately more important to find out what you really like, the unique combination of space, light, colour and materials which will continue to refresh your spirits long after the latest 'look' has had its day."

This book is a manual which

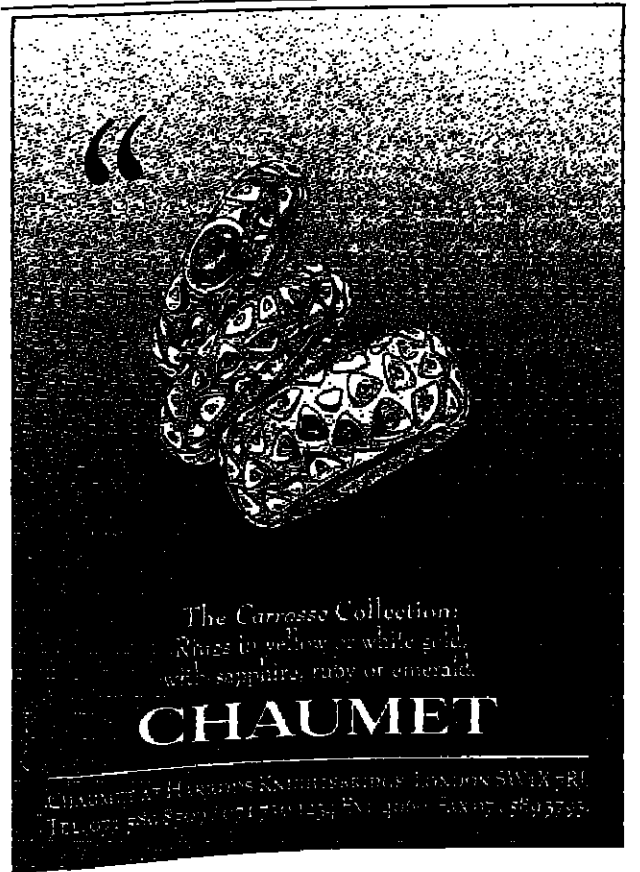
would be invaluable to anybody setting out on the adventure of creating a home. It is illustrated quite beautifully with pictures that are imbued with a relaxed and undidactic approach to matters of taste and style. If they have a common thread it is of light and air and an unstuffy approach to the business of turning a house into a home.

The pictures show, better than almost any words, that there are no "right" and no "wrong" ways to furnish. Instead what we have in the late 20th century is as vast a choice as it is almost possible to imagine.

But quite apart from the inspiring pictures, practical issues are tackled - from how to make a kitchen work for you (and the kitchens featured ranged from small and minimalist to a large family living-room-cum-kitchen) to how to deal with the vexed matter of significant spatial change.

Even for those who already have houses they are satisfied with, this book has much to offer. Its directory covering the practical subjects such as lighting, flooring, plumbing, paints and plaster is filled with useful information, and the list of useful addresses for everything from brass door furniture to architects and security alarms makes the book worth its cover price alone.

\*The Essential House Book by Terence Conran, published by Conran Octopus, 272 pages, £25.



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## FASHION

# The up-and-coming get down-to-earth

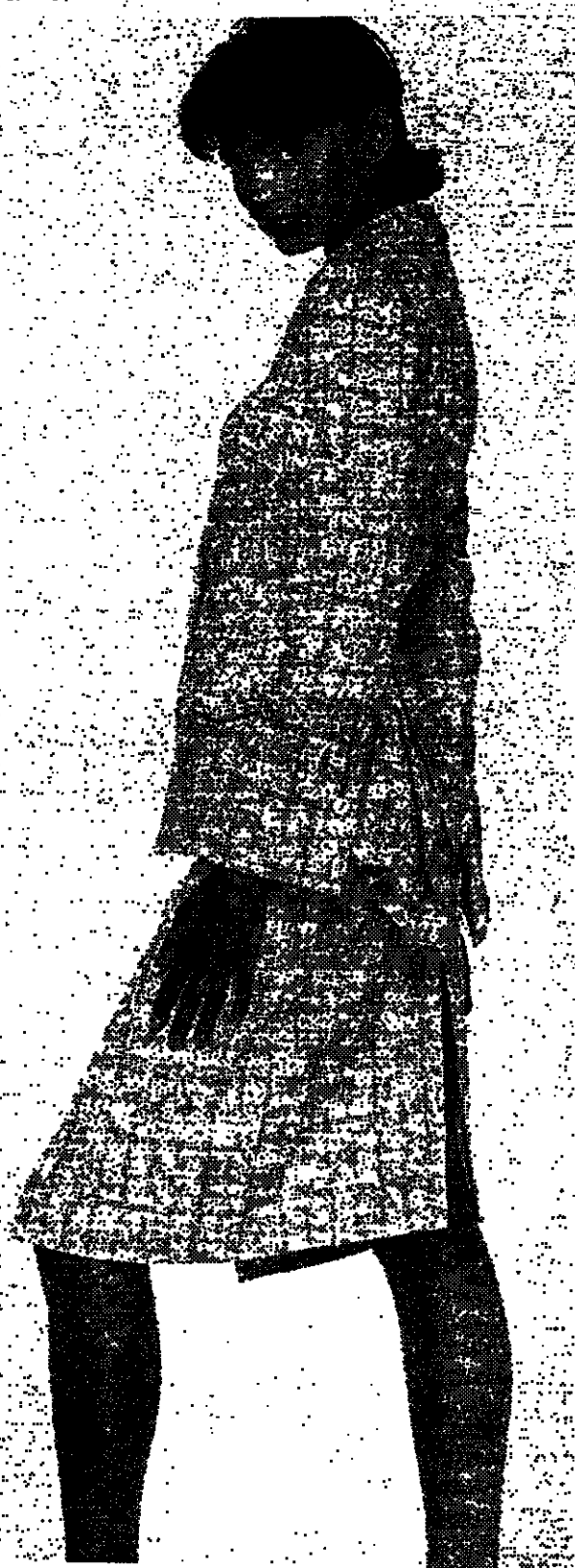
A reputation for bags of talent – but an attitude problem. Avril Groom reports on the growing pains of Britain's young designers



Drape-backed black silk satin dress by Paul Frith, £365 from Harrods' Way In and from a selection at Liberty and Harvey Nichols, Knightsbridge, SW1. Beaded black satin shoes, £229 from Emma Hope, Amwell Street, EC1. Earrings, £10.95 from Fenwick, New Bond Street, W1. Sheer tights by Aristoc.



White textured cotton flared, full-sleeved shirt by Nicholas Knightly, £149 from Liberty, Regent Street, W1.



Cream and blue check wool jacket with folded poplin, £450, matching split skirt, £160, both by Owen Gaster from Joseph, Brompton Cross, London SW3, or to order from 071-635 3555. Tights by Golden Lady

Young British designers have bags of talent and the whole fashion world acknowledges it. Some also have what is known as "attitude". The combination of creative over-confidence and a cavalier approach to production and deliveries, in an industry notoriously run on a shoestring, was for years the despair of backers and store buyers.

One wealthy businessman who invested in British designers during the 1980s will no longer touch them, preferring to spend his money on established foreign names who deliver wearer-friendly clothes when they promise them. Perhaps it is time for him, and others of his ilk, to look again at British talent. Hard economic realities have created a new attitude of down-to-earth

discipline among the up-and-coming. Some have set out with a rigorous, professional approach while others have learnt by bitter experience. All know that the days when a student designer could sell an outrageous graduate collection straight off the college catwalk and not worry about details such as production schedules are long gone. The best deserve an ovation for achieving a near-miracle. They are producing serious, well-made clothes with enough wit and originality to attract the sophisticated woman with a deep pocket, even when her eye is jaded by an overcrowded design market. And despite tight cash-flows, they deliver on time and up to quality. None of them finds it easy. Listening to their stories, one wonders what would possess

anyone to start a fashion design business in Britain today. Presumably the creative drive and the lure of fame or distant fortune are strong. And there are interim rewards. Sonnentag Mulligan and Paul Frith have gone, in four seasons, from young unknowns to seeing their names in lights at top London stores – Liberty, Harvey Nichols and Way In at Harrods have been particularly supportive. Liberty sometimes helps designers offset the cost of a first collection by paying for the fabric. Owen Gaster's first full collection so caught the imagination of Japanese buyers that its proceeds have financed the next one.

Other young designers, however, suffer from problems and prejudices. Provincial British shops are still made nervous by comments such as the one from a New York buyer who recently declared that she had twice ordered from a talented British designer, but had not received a single piece.

Prejudices rub off on some designers who ill-deserve it. Often they are expected to be late and ill-organised, because some of their contemporaries still believe that showing in a seedy, inaccessible corner of London in the middle of the night is a smart way to display their creative power.

The only way designers can show that they are now grown up and have given up such follies is by cleaning up their acts. Sonnentag Mulligan and Paul Frith both had their autumn deliveries into stores by mid-August, well before they were needed. Nicholas Knightly's spring show of soft, perfectly-executed jersey dresses, fine wool Guernsey sweaters and pale striped cotton pyjamas was in a sensible central London location and started well on time – a statement of intent after several erratic seasons.

Designers are rarely business brains as well, and finding the necessary adviser is difficult. Getting financial backing is even harder and cash-flow problems are endemic – the time-lag between investment and payment is often longer

than the stores would countenance. Some new designers find ways to counteract this. Clinton Silver, chairman of the British Fashion Council is busy arranging "marriages" between designers and companies. This is not, he says, to "control the designer's business" but to "help give them more exposure and also the benefits of experience. In return, the designer's consultancy input can raise the man-

ufacturer's fashion profile and thus contribute to improving design standards in the high street."

Barbara Sonnentag and Tracey Mulligan's arrangement with the Stirling Group, a Marks and Spencer supplier, resulted in their recent first solo show, which, with vibrant colours, innovative fabric mixes and sharply glamorous shapes was one of the toasts of London Fashion week.

"We now feel confident in developing a bolder, slightly younger direction," says Barbara. They are not forsaking the high-quality, wearable tailoring on which their reputation has been built, however, "because we have to compete with a lot of better-known names".

The quality of their understated, slimly-cut autumn suits in mixes of matt and slightly shiny neutrals is remarkable considering they are their company's only full-time employees.

Nicholas Knightly says he keeps the small factories he uses happy "by trying to be a good customer" – unexpected for a young man who gradu-

ated in 1991 with prodigious talent and an ego to match. His first collection, of white shirts and denim, was bought by Harvey Nichols. But he had little business experience and false starts and broken contracts followed.

His talent for feminine, flattering cutting has brought consultancies from commercial companies, one of which now keeps him and his full-time assistant "on the straight and narrow". A small autumn collection of favourite shirts – the deceptively-simple one we show was designed three years ago – and private orders will be followed by full-scale deliveries for spring and he will also design a range for the Stirling Cooper group.

Paul Frith has as yet to make such a commercial link but hopes his efficient system will attract an investor. "My business manager and accountant both have other jobs so most of any investment would go into the company, not overheads," he says.

In a previous life he was a Royal Marine, and the discipline shows. He worked in bars to fund his first collection, he uses plain, classic fabrics – wool crepe, silk satin and, for spring, cashmere and chiffon – so supply is not a problem, and he tracks down small factories which can produce the quality finish he demands for his very simple, body-skimming, tastefully sexy shapes.

Owen Gaster is a new boy on the block who has only shown two full collections but his attitude is promisingly serious. He sold his graduation collection to finance a tiny private-order business and perfected traditional hand-finished tailoring techniques by studying construction of vintage jackets.

Earlier this year he held his first, self-financed, show. It resulted in a Japanese agent who found 15 stockists for his

well-run business starts small and takes time". It will be interesting to review their respective positions in a year. Barbara Sonnentag has learnt the bitter lesson that "it is very hard to make money in this business" but remains optimistic.

Knightly's comments reveal most about the attitude with which young designers start out: "I've learnt that designing is a job, not a hobby, and now I listen to what my customer wants." He, it seems, has learnt humility, which in the world of fashion is the most important growing-up lesson.

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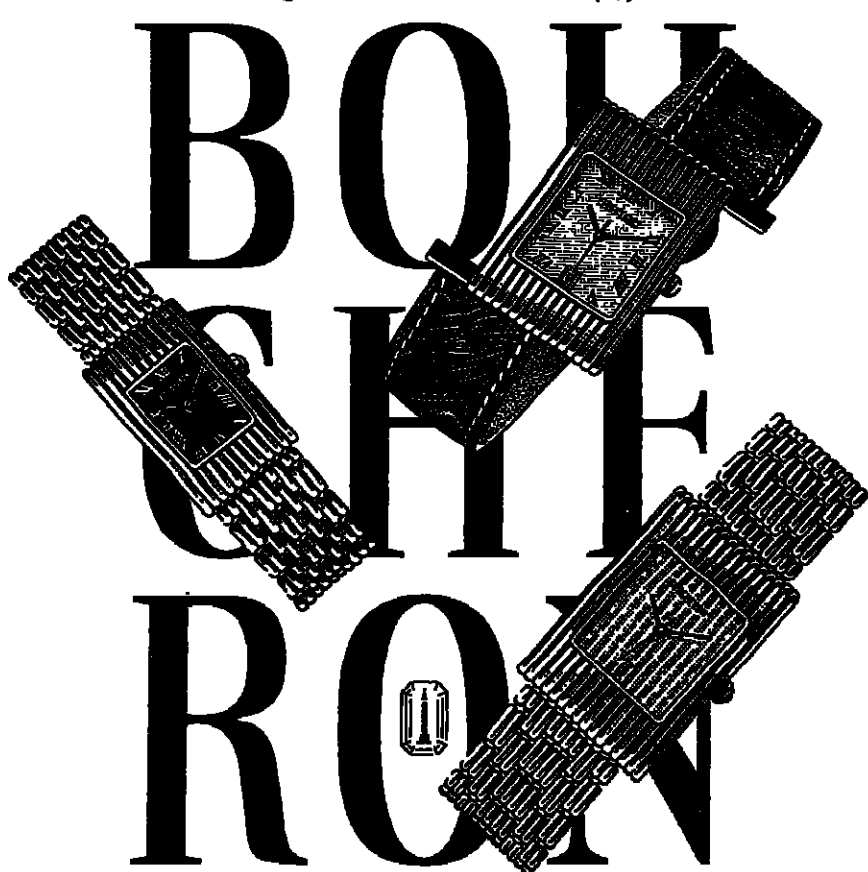
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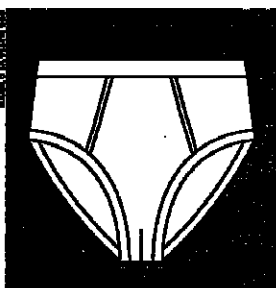


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FASHION

# Inspirational evenings

Heath Brown offers some advice to men on how to be cosmopolitan and flamboyant without being flashy or vulgar



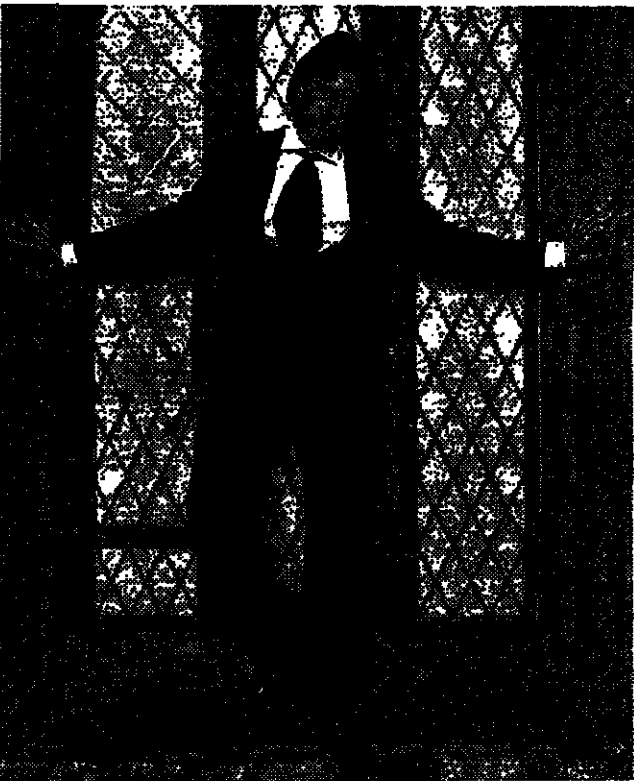
Navy and claret velvet smoking jacket, £395, white marcella front dress shirt, £55 and navy velvet evening slippers, £79 all by Hackett. Navy velvet trousers £94 by Designworks 19 Avery Row, London W1. Claret silk stock from a selection at Paul Smith, Floral Street, London WC2



Pink jacket, £295 by Moschino Cheap & Chic at Harvey Nichols. Wine-coloured waistcoat, £190, by Georgina von Elsdorf. Cream shirt by Krizia Uomo. Trousers £94 by Designworks. Shoes by Paul Smith.



Purple jacket with Nehru collar, £370 by Favourbrook. Tunic, £55 and black and silver dress studs, £18 both by Hackett. Gold silk brocade trousers, £370 by Yves Saint Laurent-Rive Gauche. Cumberbund, £70, by Georgina von Elsdorf, 50 Burlington Arcade, London SW1 and Barney's, New York. Black patent shoes by Hackett



Brown velvet dinner jacket, £950, and waistcoat, £250, shirt, £195, trousers, £250, by Giorgio Armani. Cravat, £40 by Favourbrook, 19-21 Piccadilly Arcade, Jermyn Street, London. Shoes by Hackett.

Obligated to wear dark suits by day, and the uniform of black tie and dinner jacket for formal evening functions, men are not always practised in the art of ringing the changes where dress is concerned.

The modern man has been able to shelter behind the protection of regulation "kit" for too long, and has excused himself from using his clothes as a means of self-expression. He may fear the freedom that comes when the rule book is thrown away.

If a gold-edged invitation arrives for an evening's revelry, but black tie is not obligatory, what is a chap to do?

He is going to have to think for himself. If he cannot take refuge in his dinner jacket, wants a change from his office suit and feels jeans and a leather jacket are not quite right, what should he wear?

This has long been a problem in country circles, where black tie can look ridiculous in more relaxed settings, but has been overcome in the shires by a touch of the flamboyant and eccentric. A gaudy mix of

plaids with rich velvets and silks brings a cosmopolitan male flamboyance to provincial parties that is rarely seen in London.

Highland castles stage colourful balls and Gloucestershire manors host parties at which men are decked in vibrant splendour. This Regency flair for male sartorial elegance has survived in rural Britain and looks set to return to the city too.

City men should not take fright. Many of the looks on offer may have a distinct touch of the romantic about them, with more than a touch of homage to Byron and Shelley, but the best are thoroughly masculine, using fabrics and accessories that are richly sensual but boldly Gothic.

Favourbrook, the gentlemen's outfitters, off London's Jermyn Street, says it is selling more individual evening clothes for men. "The velvets and brocade jackets and waistcoats we produce have been selling much more lately and not just to a few young snappy dressers," says proprietor Peter Vayner.

From elderly judges to successful young city executives, men in search of a little colour have been updating their evening wardrobes with velvet jackets and elaborate silk moiré waistcoats. At Favourbrook, traditional tailoring is mixed with sumptuous fabrics, both contemporary and period in design, to create menswear that is highly individual - a personal statement rather than a run-of-the-mill uniform.

It is this notion of personal statement and a sense of individuality that should be aimed at when choosing men's evening attire - a display of healthy flamboyance.

Robin Dutt, Bon Vivour, art critic and style guru, is a great advocate of the flamboyant. And it is with evening wear that he sees a chance for men to let loose. "All stiff sartorial rules can be broken when it comes to men's eveningwear," says he, "but it has to be done with panache, with a certain soignée elegance." He mourns the sobriety of black tie and urges men to invest in at least one sumptuous evening garment in rich velvet or luxurious silk.

Velvet seems to be the fabric of the moment and it comes in many shapes and guises from the traditional smoking jacket to the high collared Nehru.

Neck fastenings can be experimental and relaxed with variations on cravat ties or collarless dress shirts with studs, or velvet and satin shirts left casually open beneath layers of brocade waistcoats and velvet jackets.

The overall aim is to bring some life and colour to the evening scene, to revive the traditions of old, to learn again to couple fun with a touch of the eccentric and to add a dash of romanticism.

However, remember that you must feel comfortable with this new look. So do not choose something so wild that you will feel ill at ease. It must be you. After all you do not want to admire it only in the wardrobe. You could, if you feel

your personal style is not too flamboyant, invest in a single waistcoat. If you are feeling more adventurous you could go for a jewel-coloured jacket, a romantic cravat or even a complete velvet or brocade suit.

If you are in doubt as to how to put it together take a look at the photographs here and think back to the inspirational sources of the current mood -

Byron, Shelley, Beau Brummell, the Duke of Windsor, Indian Maharajahs, Gothic novels, the films *Dracula*, *Frankenstein* (although avoid the overly sinister) and *Les Liaisons Dangereuses*.

Places to look:

■ Favourbrook, Piccadilly Arcade, Jermyn Street, London W1 for off-the-peg and made-to-measure one-offs and off-beat tailoring.

■ Yves Saint Laurent Rive Gauche, New Bond Street, London W1 for fabulous men's brocade suits and "le smoking" jackets.

■ Harvey Nichols, men's contemporary department, Knightsbridge, London SW1 has a wide modern collection of velvets (look particularly for those by Moschino).

■ Simpsons, Piccadilly, London, W1, for traditional smoking jackets.

■ Paul Smith, (there are nationwide stockists) has modern variations on velvet and satin shirts and suits.

■ Good secondhand shops.

Photographer: José Aragon  
Stylist: Heath Brown  
Hair and grooming: Shani Zion  
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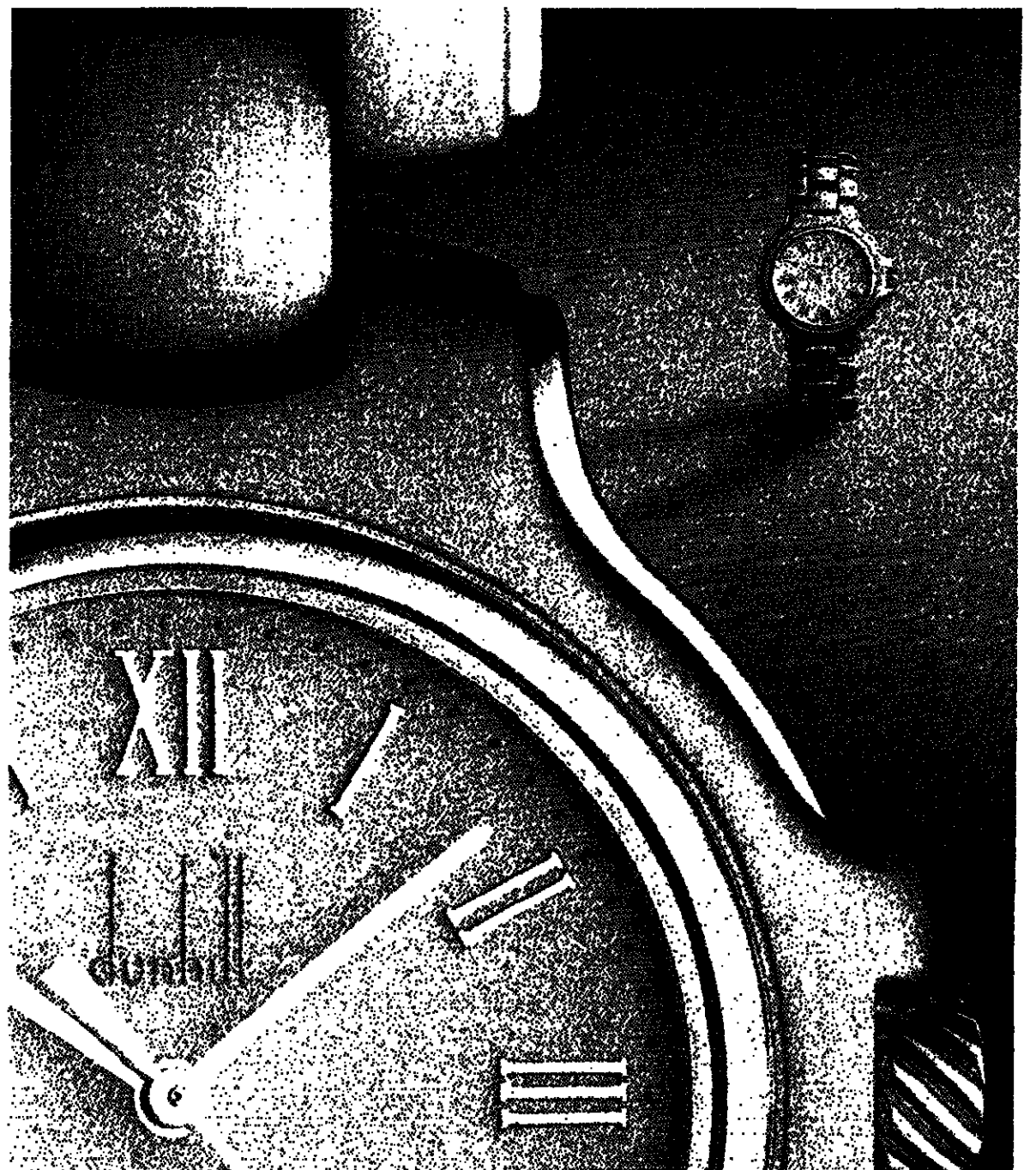
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## HOW TO SPEND IT: THE ELECTRONIC AGE

## Techno-toys – not just for the boys

Alice Rawsthorn keeps an eye on the electronics products that will be hitting the high streets within the next year or two

**W**e may be at the dawn of the digital age but to most of us the electronics world is as chaotic and confusing as ever.

After all, who wants to risk becoming one of those apocryphal "friends-of-friends" who spent thousands of pounds on an early fax machine or who bought a Betamax video.

That said, there has never been a better time to treat yourself to a new set of techno-toys.

The combination of economic recession, fierce competition and pressure from newly-wired consumers has forced the big Japanese electronics and US computer companies to sharpen their acts.

Prices have fallen: styling is slicker and the latest electronic devices are also easier to use. After a lean period for innovation in the industry, a stream of electronic products will be arriving on the market in the next year or so.

### Televisions

The humble TV set is one of the main subjects for innovation. For years the industry assumed that high definition TV, or HDTV which offers superior sound and image quality when compared with conventional television, would be its hope for the future.

However, HDTV is years away from being launched in the US and Europe, where the industry is still deciding on standards and specifications.

It is available only in Japan and has not caught on there because of high prices – a Sony system costs ¥600,000 to ¥800,000 (about \$4,000-£5,000) – and a shortage of programming.

Instead, the big hit in Japan is the wide screen. When they were launched three years ago the industry saw them as a cult product that might appeal to movie buffs, as the screens have the same shape as a cinema screen. But wide-screen has become a surprise success.

It accounts for one in five of all the televisions sold in Japan. Now, it is coming to Europe in the guise of the new generation of PALplus standard televisions.

Nokia is in the lead, having launched a 28in PALplus set for £1,500. Michael Grade, chief executive of Channel 4, has already bought one.



Sony, Philips and Grundig are now finalising their PALplus launch plans for early next year.

### Games

After racing ahead in the late 1980s and early 1990s, the video and computer game market has reached a hiatus over the past year or so, as games fans have awaited the launch of the next wave of 32-bit and 64-bit compact disc-based games.

The new games are more powerful than the old 16-bit cartridge consoles. They also offer digital sound, three

dimensional graphics and cinematic visuals.

"They're streets ahead of their predecessors," said one expert. "Playing a 32-bit football game will be like staging your own Match of the Day with the crowd chanting in the background."

Two of the first 32-bit games machines, the Sony PlayStation and the Sega Saturn, are going on sale in Japan this month and in Europe next spring.

The most eagerly-awaited innovation is Nintendo's super-powerful Ultra 64, which is twice as powerful as the 32-bit

games machine and will cost \$200 when it goes on sale in the autumn of next year.

### New Music Media

After the success of compact disc, the electronics industry is eager to move to the next new medium. The hitch is that no one seems able to agree exactly what the new medium will be.

Philips and Panasonic have joined forces to develop the Digital Compact Cassette, which they see as a logical successor to the analogue cassette as it is smaller and more durable with digital sound quality.

Sony and Sharp are pinning their hopes on the MiniDisc, a miniaturised version of the compact disc that offers the same advantages of random access and durability in a smaller, recordable format.

All four companies claim publicly that sales are on target. Privately, they admit that the progress of their new products is scarcely scintillating. One of their smartest competitors, Pioneer, is playing safe.

It sees DCC and MD as "intermediate technology" and is concentrating on developing a miniaturised blue laser disc system which, it hopes, will be

the new medium for the 21st century.

### Compact Discs

Yet another battle is brewing over the format for the next generation of compact discs.

There are now three competing formats on the market. So far CD-ROM – the interactive disc that combines text, graphics and sound – looks like the winner particularly in the US where Microsoft has been playing on parental concerns by selling CD-ROMs as educational aids, notably

encyclopaedias.

The competing formats are CD-I, the interactive compact disc developed by Philips for use on dedicated consoles that cost from £299 and plug into television sets, and 3DO, a top-of-the-range games system.

Confused? Just wait until video CD comes on stream. This is the new genre of disc that plays films, just like a video tape, as well as music.

Video CDs are already trickling on to the Japanese market. But most manufacturers are loathe to mount full-scale launches elsewhere until the industry has resolved the tim-

ing problem of whether to stick with the current crop of 74-minute discs – which are long enough for albums, but not for feature films – or to develop an expensive new digitally-compressed format.

### Computers

Main themes in the computer market over the next few years will be integration and miniaturisation. Compaq has led the field in integration with multimedia machines that operate as CD players, PCs, fax machines, CD-ROM drives and even telephones selling for \$1,000 in the US, or for around £1,100 in the UK.

Sony is making waves on the miniaturisation front with the Personal Intelligent Communicator developed in conjunction with AT&T.

The PIC, which sells for \$995 in the US, is a portable gadget, the same size as a Filofax, that functions as a fax, database and an E-mail machine. It is available in the US only, although Sony hopes soon to launch a similar format in Japan.

### Global positioning systems

If anything can claim to be the techno-treat of the early 1990s it is the global positioning system, the hand-held devices that enable the user to plot where they are and where they want to go.

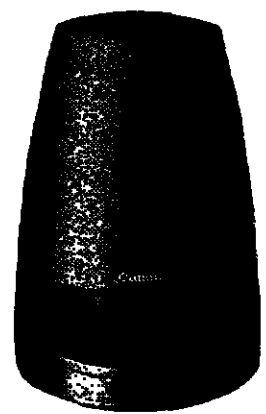
Philippe Starck, the superstar French designer, uses his in his private aircraft.

The GPS is still seen as something of an indulgence in Europe, but in Japan it is rapidly becoming commonplace. The must-have accessory is a digital map, or in-car global positioning system; a CD-ROM drive is tucked away in the boot and a map of the route flashes on a dashboard screen.

Sony sold 50,000 Digital Maps last year and expects sales at least to double in 1994. Its latest rose is a ¥400,000 digital map with a real-time traffic information system that uses a cellular phone link to warn drivers of jams ahead. Sony hopes to start with the digital map in Germany in April.

Meanwhile, Pioneer is working on the next generation of in-car hardware which, it hopes, will offer an on-line digital map, a CD player, radio-cassette and cellular phone – all in one machine.

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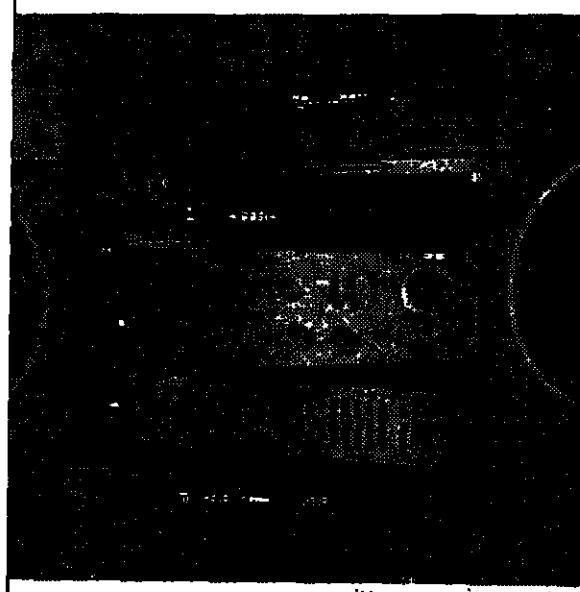
domestic HiFi and Home Cinema use, as well as for the Professional Audio Installation market.

Perhaps the most surprising thing is that Canon loudspeakers are designed and built in the UK, and sold all over the world.

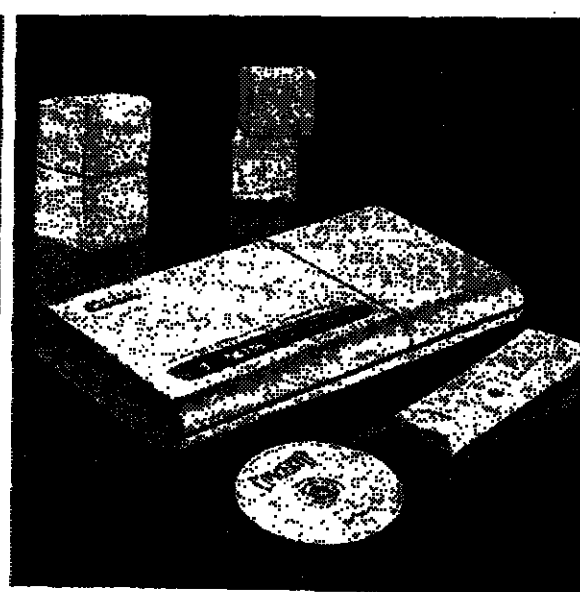
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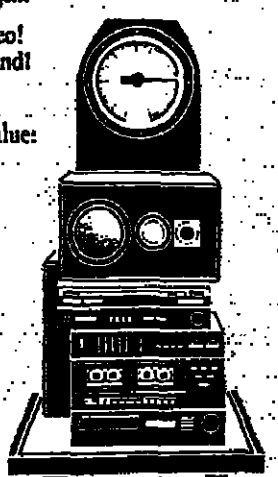
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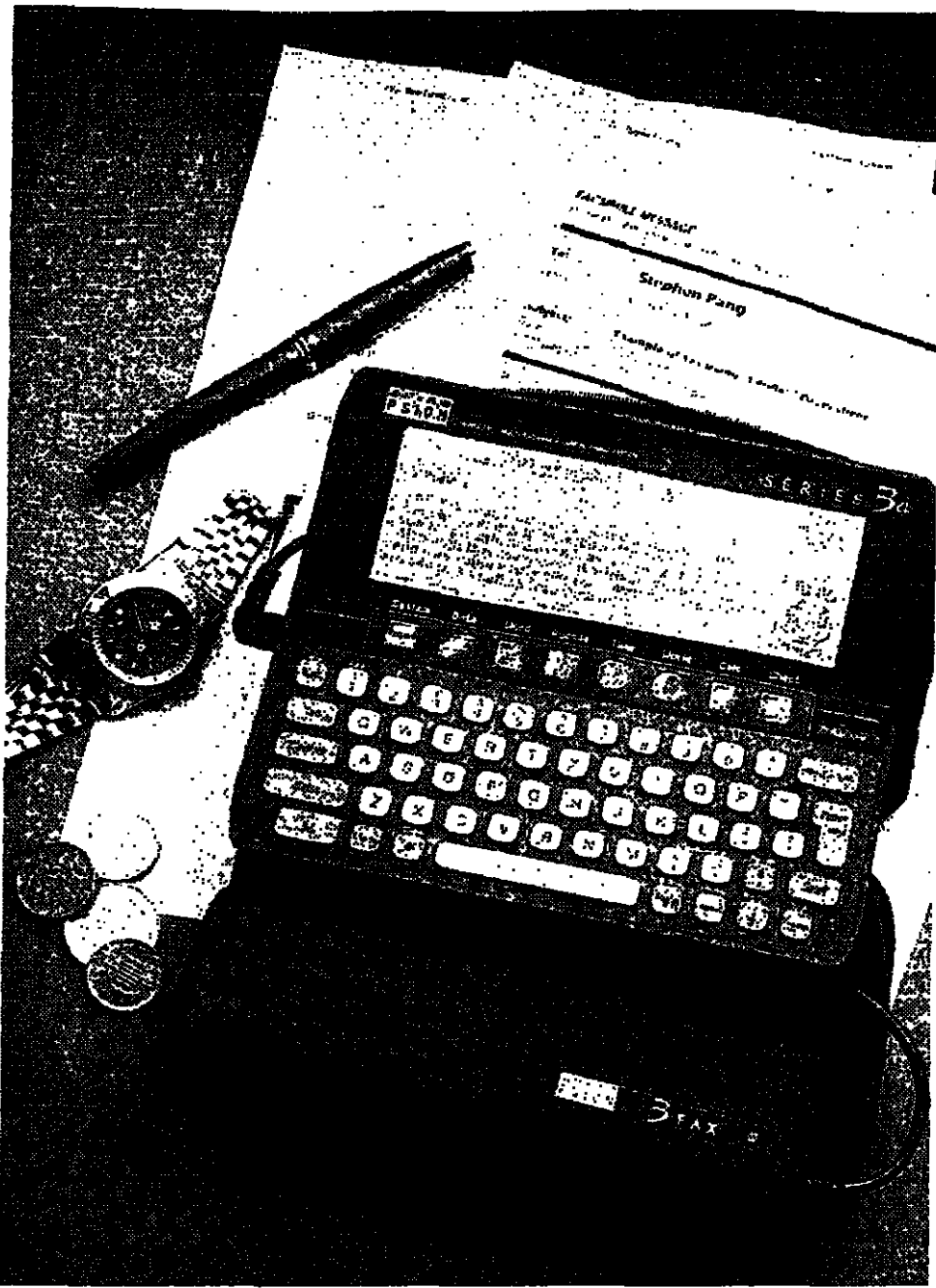
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## HOW TO SPEND IT: THE ELECTRONIC AGE

## Money to burn? Then think electronics

Do not blink or you will miss the latest technology, says Michael Horsham



The Powerbook 540c from Apple

Technology has moved so far and so fast in recent years that you can now take your pick from large quantities of techno-toys that, a decade ago, would have existed only in the darkest corners of Q's laboratory on a James Bond film set.

If money was no object, and you were free to choose from the very best of the techno-toys around, regardless of price, which products could, or should, you buy?

Night vision a problem? It does not need to be - not with a hand-held, thermal imaging device. Pysis makes a one-eyed version with a hefty Fuji zoom lens for \$300 or thereabouts. You see things in a fetching shade of luminous pea-green; handy, if you happen to like that colour. The bonus is that its ergonomic shape means you can hold it with one hand. A pleasure to use.

The pleasure principle is to be found everywhere in the design of technology. Arguably, there is no product area apart from car design that has benefited more from advances in the understanding of product semantics than the computer.

If you feel the need for an electronic organiser to put a little order into your life, the Pison Series 3a is well worth a look for its chunky feel and robust usability.

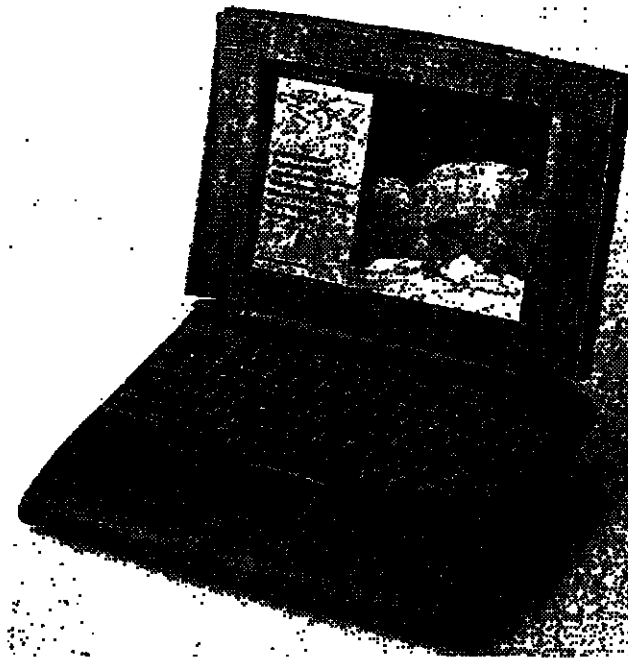
A snip at £329.95, it comes complete with lots of smart

cards and the necessary leads. For tougher tasks, you will need a bigger, beefier computer which is also enjoyable to use. The top-of-the-range Apple Macintosh Powerbook 540c/320 costs a shade over \$4,000 and plays a nifty game of computer golf as well as dealing with all the organisational material you would want it to handle.

One of the nicest things about the most expensive Powerbooks is that you get a trackpad, rather than a ball, as the control for the computer. Your fingertips simply trace a direction over a silkily-textured piece of plastic. How it works is a mystery; but that is half the pleasure of owning such an expensive machine.

Another exercise in unadorned extravagance would be an Ericsson RH237 portable telephone. It is a nicely compact piece of design with all the fully-featured functions that you would expect from a miniaturised communications centre. The hitch is that the RH237 rockets in price if you buy it without a connection. With air-time, it costs less than £100. Without air-time, it is £381.99.

Another terrific little toy is the Sony Pixis IPS 760 (£1,299). It is a hand-held global positioning system that tells you more or less exactly where you are at any time - within 30 to 100 metres. Take a map, use it to tell the Pixis the latitude



The Powerbook 540c from Apple

and longitude of your friend's country house - and the device will tell you exactly how far away you are and what direction you should take.

The Pixis is a pleasure to hold and to play with. But it is about twice the price of some rival makes, which will give you just as accurate a position. Let us assume that the position your Pixis has given you is "on the sofa in the living

room watching television". Technology has brought us to a stage where the choice of sets available is bewildering.

If you want to see the pictures as the cameraman and the production team see them when they are working, you could do worse than invest in a professional broadcast monitor. The Sony PVM 1444 QM (£1,499) is the one to look for. A video recorder to go with

it? Try the Sony S-VHS V9620 Pro-Recorder (£2,750). It has the same chunky aesthetic as the television set and, with its no-nonsense functional quality, is built to last.

Camera? The Canon EX-2 Digital Hi-8 (£6,999) has more buttons than a deep-sea exploration vehicle and looks suspiciously like one. The Sony Hi-8 Pro editor Twin-deck Video Player (also £6,999) should complete the set.

For those who prefer something a little slicker, Bang & Olufsen, of Denmark, has been making the sound and vision equivalent to the De Lorean car for years. A completely expandable, modular Beosystem - including a television with motorised stand and interior screen "curtains", built-in video and several speakers delivering spooky, surround-type sound - would set you back nearly £10,000.

If you wanted to add a huge, compact disc player, Sony's Unilinear Quadrate D/A Converter System D/A Master Clock Twin Optical Linkage CD Player is £5,000.

All this is available off the shelf for the modern technologist with money to burn. Then there are the custom-built techno-toys where the price of a single stereo and speakers can begin at £100,000. But who wants to wait for delivery when technology is moving so fast and dragging design along with it?

New Yorkers are no techno-freaks. This is a city, after all, where the latest in retro-fashion dictates that owning a rotary telephone is hip.

This low-tech approach to life might explain why the humble pager is so popular among Wall Street's top traders and investment bankers. Admittedly, today's pagers, with their liquid crystal displays that transmit detailed messages and information are no longer quite so humble.

Yet, Wall Streeters seem to prefer the pager over the mobile phone because of its lack of interactivity. A quiet buzz and short message seem less intrusive than a shrill tone and long conversation. The sight of millionaire bankers using pagers still surprises some people, however.

## Paging is perfect and small is beautiful

A variety of fads are catching on around the world. FT writers report on what is happening where

As one bemused executive at a top bank said recently: "You see guys walking in here wearing a \$2,000 suit and a pager clipped to their belt."

You can, of course, still spot the occasional Armani-suited executive with a notebook computer, but the more tuned-in techno-freaks will probably be armed with the new line of personal communicators such as Sony's Magic Link or BellSouth's Simon.

These hand-held contraptions are a phone, fax, pager, E-mailer, scheduler, address book, calculator and note-pad all rolled into one small, if slightly bulky, box. The Simon

costs around \$600 and the Magic Link \$900, and both are becoming popular in the media and fashion businesses. Gothamites, however, are not immune to the lure of the high-tech gizmo if it allows them to enjoy a little "down-time" now and then. The SoLo art crowd probably gets a kick out of Brooklyn artist Todd Robbins' Sound Toy, a software program which allows art-lovers to interact with his work via their computer screens, creating their own mix of music and images from an electronic canvas.

Then there is personal projection television, the latest

fad among those who cannot bear to leave the box. PPTV consists of a pair of glasses with built-in headphones. A signal from a TV-tuner belt pack projects an image on to the inside of the glasses.

The technology most eagerly awaited in New York is the in-car navigation system, on test in California. It is intended to ensure that drivers never get lost. Once it is in place, all that will be required is a product that translates the cabby's words into English - and provides automatic change for a \$20 bill.

Patrick Harverson



Small is beautiful, it seems, to French consumers of gadgets and gizmos. From mobile phones to cars, miniaturisation is the buzzword for plugged-in Parisians.

Nowhere is this more evident than in the case of the Bi-Bop portable phone. Weighing less than 200 grammes, the hand-set is small enough to slip into the owner's pocket.

The Bi-Bop was launched last year and is available only in Paris and Strasbourg. Yet France Telecom, the company behind it, has more than 70,000 subscribers already.

The system has its limits, one being that callers need to be within range of a transmission sub-station. But unlike Rabbit, Bi-Bop's failed British counterpart, there is an adequate number of such stations in the launch cities. And Bi-Bop is expanding: from next month, it will be available



in Lille. Another hit is the mini-car - the vehicle sans permis. Unknown to many foreigners, France is home to a handful of companies that produce small cars which can be driven by motorists who have not passed the rigorous driving test.

The appeal of these is not just for the young, who may fancy a roof over their heads rather than braving the elements on a moped. The VSP is also aimed at motorists frustrated at failing to find parking spaces. One manufacturer, Microcar, has sold more than 40,000.

VSPs are unlikely to set the pulse racing. With engines of about 50cc, or electric motors, they struggle to go faster than 30mph. But they can be driven by 14-year-olds, and they are easy to park, which gives them appeal.

Yet the French remain attached to some tried and trusted gadgets, albeit in updated form. One is the *Minitel*, the teletext system which is to be found in 8.5m offices and households.

It has been given a new lease of life since the introduction this summer of a faster model. The *Minitel 2 Grande Vitesse*, as it is known, operates at 9,600 bytes a second (eight times faster than its predecessor), allowing the transmission of images through the network.

John Ridding

The must-have item for any trend-conscious Californian teenager these days is the pocket pager - preferably in this season's colours of bikini blue, hot pink or a see-through "ice" shade.

These matchbox-sized devices may have begun life as a communications tool but they are now seen as a fashion item. Teens are also hot on pager accessories: bungee cords, gold chains and special clip-on cases are all the rage. The coolest choose a pager in one colour with a holster in another.

Pagers had a bad image until about a year ago, because they were said to be used by drug dealers and their clients. Attitudes have changed. While many high schools still have an official ban on pagers, administrators are turning a blind eye to a trend that is too big to fight.

Teenagers are not the only age group catching on to the pager trend. Pagers are also becoming the communications tool of choice for "baby boomers" looking for affordable ways to stay in touch with their ageing parents and baby-sitters. But surveys suggest that teens are three times more likely to carry pagers than others.

The appeal of a pager is clear for a generation of Californian youngsters which typically spends more leisure hours on the telephone - local calls are free - than watching television. The pager is, after all, the next best thing to a mobile phone, which few of them could afford.

In California, a simple pager that accepts numeric messages costs about \$70, with a service charge of \$10 a month. A cellular telephone typically sells for \$160, and monthly call charges can mount quickly to \$100 or more.

It is, however, parents who buy most of the pagers that are touted around by teenagers - and they have self-interest in mind. The pager is a high-tech way to lengthen the parental apron strings while still keeping tabs on young Jenny



or John. The new house rule for the Californian teenager is: "When I page, you call home."

In a society where parents double as taxi drivers for their youngsters because there is little public transport, pagers are an asset when plans go astray.

Low-cost paging services, of the sort used by most teenagers, are designed to transmit only numeric messages, normally a telephone number. But youngsters have worked out codes to make the most of the system.

Mother's code number is always 303 which, turned on its side, looks like mom. The girl/boyfriend code is 143 - the number of letters in the words "I love you".

For the lovelorn, the code 1 171755 00 means "I miss you" because, when those numbers are squeezed together, they look a bit like the words.

Louise Kehoe

Sales clerks in Japan's vast electronics stores have a lot of learning to do these days. Just a few years ago, they could persuade their customers to buy the latest stereo or television set on the merits of better sound quality or clearer pictures. Now, consumers want to know much more about complicated functions such as memory storage and software compatibility.

A short-list of the best-selling electronic products in Japan reflects a definite trend away from conventional audio-visual equipment, although there are some exceptions. Sharp's Viewcam - a video camera with a liquid crystal display view-finder that allows the user to watch what is being filmed on the spot - is one rare example of continuing success in a tried-and-tested product sector.

Another is wide-screen television sets. These have been on the market for only two years but have claimed a large slice of the market already.

Sony says they will represent 30 per cent of overall television sales this year. Yet, while wide-screens have been enormously successful, some companies wonder if they will ever become a block-buster hit on the same scale as the Walkman or video recorders, rather than simply being replacements for old sets.

Most of the present hits in the Japanese electronics market reflect the blurring of the old boundaries between consumer electronics and information technology.

One of the most popular new products is the car navigation system - a global positioner that is installed in the car boot with a screen containing a digital map on the dash-board.

These do not fall easily into the conventional definition of consumer electronic products; indeed, they can more accurately be described as information tools.

Other successful examples of these

are the new wave of personal digital assistants, such as Sharp's pen-based Zaurus system, and increasingly popular cellular telephones.

This trend has led many Japanese companies to concentrate more of their resources on information technologies that will let consumers receive entertainment software or information through communications networks, or keep large amounts of information in digital storage media.

Pioneer plans to link with two other companies to provide karaoke services down the telephone line, while Sony is focusing its energy on products merging information with entertainment.

These include Telnavi, which allows the user to access a car navigation system through a CD-ROM drive incorporated into a television unit that also plays regular music discs.

Michio Nakamoto



The Motorola Advisor, a pager that can be used only in Hong Kong and Macau but is loaded with functions guaranteed to appeal to the button-happy, plus a memory storing up to 40 messages, also has an astute marketing strategy. The television commercials depict a youth with pop star looks and a bouquet of flowers who always arrives at places where his friends are not.

The message is clear: if only he had a multi-faceted, multi-lingual Motorola pager then he, too, could take part in the happy-hour karaoke.

Louise Lucas

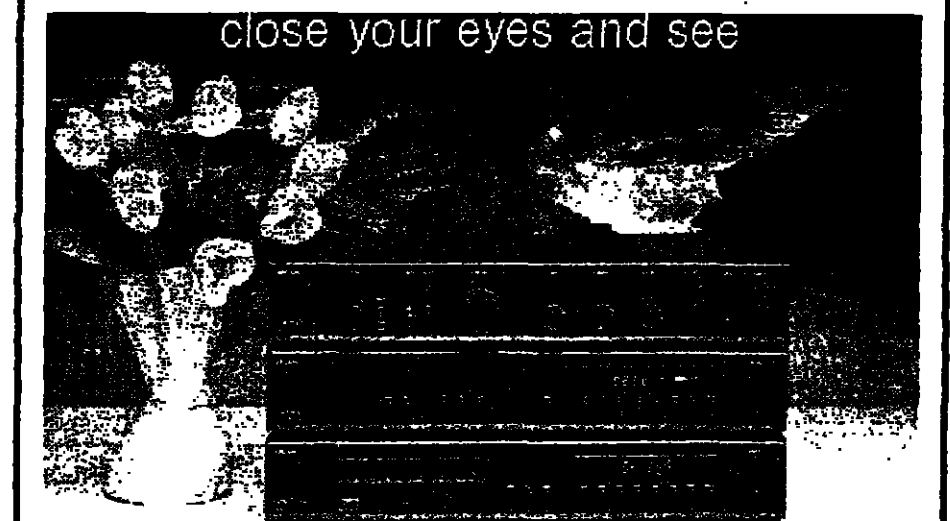
a uniquely Hong Kong twist: the multi-lingual pager. These sleek models - slimmer than a packet of cigarettes and infinitely more hip - continue to provide all the information which is *de rigueur* for Hong Kong students, taxi drivers and tycoons.

Hutchison and Motorola advertise their joint multi-lingual pager with a slogan designed to win the hearts and minds of today's bi-cultural youth in an apt semantic hybrid: "Gam man fong kung hai happy hour ma?" ("Are you on for happy hour after work tonight?").

"Mummy" but "Well", the telephone greeting.

None of this has been lost on telecommunications companies, both locally and overseas. As Hong Kong also has one of the most technologically sophisticated audiences, the range of telephones and pagers is as big as it is diverse. Top criteria are size - slim versions are best - and long-distance capabilities, a must for those whose working day can be spent on either side of the Chinese border.

Yet, the rave among white-necked schoolgirls and be-suited businessmen alike is a relatively simple product with



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\* Source - G&K Market Research

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## FOOD AND DRINK

# Kippers that taste of Scotland

Nicholas Woodsworth visits a small smokehouse in the Highlands

I am not much of a fisherman. But I thought I was when, one early autumn evening, the *MY Hectoria* hove into the little port of Achilbute in the far north-west of Scotland. After just a couple of hours of fishing off the Summer Isles, I had in my possession 30 large, fat mackerel.

In I strutted to Am Fuaran, the local waterside pub, holding my fishing rod like a sceptre and feeling like an emperor about to distribute largesse. Who, I inquired benignly, might be interested in the gift of a sack of fresh mackerel?

I expected gasps of surprise and admiration. There were none. I expected people to queue up. They did not. One man, in that stage of inebriation in which the whole world is one's friend, said he might take a couple for his cat, but then forgot about it by the next round. I went to bed remorseful, feeling, even if they were only fish, like a mass murderer.

The next morning, over breakfast, Lottie Ross, my hospitable B and B host, did her best to console me. "There is nothing wrong with mackerel," she said. "It's just that here on this coast we can get about anything we like. For us crabs, prawns, and lobsters are normal, everyday things. My husband Jimmy will be back from Loch Osgaig in a while; I expect he'll have caught us a few brown trout for tea."

I felt a bit better. But I also felt curious. Amid all this ocean wealth, I asked Lottie, was there any kind of food from the sea - crustacean, mollusc, or finned fish - that she liked to eat but that was not a normal, everyday thing?

Lottie thought long and hard. "Yes," she finally replied. "Kippers."

For Lottie, as for most lovers of the smoked herring, kippers are a treat and not to be over-indulged in. She reckons that once every fortnight or so is a good average. "You wouldn't want them more often than that - they make a very particular meal," she insisted.

Particular they are indeed. How-

ever rarely they are eaten, kippers seem to have a curious property - they are just about the most evocative, memory-stirring and nostalgia-producing food you can eat. Lottie agreed; she can remember eating kippers as a child growing up near the Clyde. She can even remember specific meals - the arrival of wooden cases of Loch Fyne kippers and the feasts that followed.

Perhaps that is because Loch Fyne, a long, deep arm of the Firth of Clyde, is reputed to provide the best kippers in the world. When I put it to Lottie that the kipper was not a Scottish invention, but originated last century in Seahouses in Northumberland - I once spent a holiday there and it is their proudest claim - she was indignant. The kipper is as Scottish as tartan plaid, she asserted, and the world's finest.

How could anyone prove that, I wanted to know. "Just head down the road a mile and see a man named Keith Dunbar," Lottie replied. "He knows everything there is worth knowing about kippers." And he did.

□ □ □

Lottie and I were both wrong, it turned out. As a specialist who for more than a decade has been smoking not just herring but everything else under the sun - salmon, sea trout, eels, venison, duck, highland beef, wood pigeon, and Arran cheeses - Keith Dunbar has amassed great quantities of literature at the Achilbute Smokehouse. His enthusiasm for his art has done him no harm - he may work on the wild outer edges of civilisation, but last year Dunbar and his small company, Summer Isles Foods, won the BBC's Best Smokehouse award. I surprised him, hard at work in his smoker's apron, but he nipped off happily to his files to satisfy my curiosity.

Neither the Scottish nor the English, it seems, can claim the invention of the kippered herring. The origin of the word *kipper*, meaning to spawn, is Dutch, and was applied originally to the smok-

ing of out-of-season salmon. Kipper-fish is also a very old art, and was practised all over northern Europe for hundreds of years as a means of preventing spoilage.

As early as the 1400s fishermen in southern England were talking about a "kipper time" in connection with what now seems an improbable activity - an annual Thames salmon fishery.

But do not imagine, I was warned, that the medieval kipper enthusiast sat down to the moist, fragrant, creamy textured and delicately smoked fish that the best kippers can be. One should not even imagine, in fact, that the medieval kipper enthusiast existed at all - heavily smoked to make emaciated, out-of-season fish a bit more palatable, heavily salted to give them maximum storage life, the dry and leathery kipper was eaten more through necessity than pleasure.

Keith Dunbar, though, is hardly more complimentary about the modern mass-produced product. And anyone who has tried it will probably agree - today's frozen boil-in-the-bag supermarket kipper is a disappointment: not tender but

soggy, not flavoursome but tasteless, not subtly toned but artificially colour-treated. Worst in this litany of modern sins, Dunbar asserts, is that some kippers have never seen even a lick of smoke.

All this is partly the consumer's fault, he admits. "We don't shop with our noses or our sense of taste,

**What could the Ramada hotel in Qatar want with over 300lb of kippers?**

but with our eyes. Commercial companies know this and, invariably when we buy smoked fish, we fall for that superficial sales pitch - deep, dyed colours. It is a mistake every time."

Keith Dunbar's kippers are nothing but herring, salt and smoke. "The mass-production companies would laugh at my operation here -

they deal in herring by the truck-load," he said as he showed me his blackened smoke kiln, not much bigger than a large wardrobe, that allows him to smoke up to 200 kilos of fish at a time.

"There are three things that are vital in kippering," Dunbar said as he showed me brine vats and hanging racks, smoke fumes and fireboxes. "The quality of the herring, the smoking process, and the kind of smoking wood used."

If Dunbar can get plump, high-fat herring from Loch Fyne he will; sometimes he finds Faroe Island, Norwegian or Icelandic herring better. Often commercial smokehouses will smoke their herring for just three or four hours with a smoke so hot it immediately forms an imperious crust over the kipper, preventing the absorption of smoke. In Achilbute herring are smoked for 18 hours using "cold combustion", a method producing slow, cool smoke.

The real secret of a good kipper, though, lies in the wood shavings that generate the smoke. Dunbar uses only shavings from sherry casks: when these are imported by Scottish distilleries for whisky stor-

age they are dismantled and rebuilt; the scroily mature oak shavings that result produce a deep, fragrant, subtle flavour.

Who eats kippers these days, I asked Keith Dunbar, marvelling at the invoices for kipper deliveries lying on his desk. What, for heaven's sake, could the Ramada hotel in Qatar want with more than 300lb of kippers? Who orders kippers at the Holiday Inn in Katmandu?

All sorts of people will try them, apparently. But strangely enough there is a fairly well-defined kipper consumer's profile, Dunbar told me. Kippers are an upper-middle class product, eaten mostly by over-55s. They are favoured by the professional classes, especially those in the law, finance and the clergy.

Most kipper lovers are conservative - they hark back to the days when people could sit back and enjoy a leisurely breakfast. "There's something very emotional about the whole business," Dunbar told me, mystified. "There are large numbers of elegant London ladies who buy kippers for their fathers and uncles at Christmas. 'Daddy just loves kippers', they say

to me. They have become so popular I have started a Kipper Club. For £50 you can have two pairs of freshly smoked Achilbute kippers delivered to your door every 30 days for six months."

Elegant London ladies were all very well; I, however, wanted to put Keith Dunbar's kippers to the real litmus test - an exacting Achilbute woman I happened to know. "Wonderful," sighed Lottie Ross the next morning as together we tucked into a feast of grilled kippers, scrambled eggs, hot toast and strong tea. "It has just that fragrant, smoky flavour I remember as a girl."

I had no distant, kipper-related memories to dwell on. But kipper-consciousness, more evocative than any *Flaubertian* nostalgia, will not fail me. Next time I bite into a morsel of that tender, flavoursome fish, I know I shall find myself on the rocky shore of Achilbute.

**Inquiries concerning the Kipper Club may be addressed to Keith Dunbar, The Smokehouse, Achilbute, Ullapool, Ross-shire, Scotland, IV26 2YG. Tel: 0854-622353, fax 0854-622355.**



Kippers: 'An upper-middle class product, eaten mostly by over-55s. They are favoured by the professional classes, especially those in the law, finance and the clergy.'

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## Appetisers

# Last-minute party venue

While the hunt is on for the finest ingredients for the Christmas table, the search for the ideal venue for the office Christmas party is almost over.

One London restaurant that has opened too recently to avail itself of Christmas bookings, but would make a most original place for a small office lunch or dinner party, is The Heights, on the 16th floor of the St Georges Hotel, Langham Place, London W1 (071-636 1939). The chef is 29-year-old Adam Newell, formerly of Le Poulbot, Champs-Élysées, London EC2, who shows his culinary talent and originality in dishes such as: salad of grill guinea fowl and ratte potatoes; crab and scallop flan; peppered roast monkfish and gâteaux of aubergine and tomato vinaigrette. Dinner costs around £20 to £25 per head without wine (the list is sadly disappointing) and there is a cheaper bar menu next door. Window tables command views across west London. **Nicholas Lander**

My short cri de coeur about the menace posed by mobile phones in restaurants has struck a chord. Suggestions came in from the UK, Israel and Germany. They ranged from the creation of special areas for mobile phone users, the equivalent of smoking and non-smoking zones, to the commissioning of a new H.E. Batesman cartoon that shows the fate of "The man who dared to

use a mobile phone in a restaurant."

One reader told the story of a man in a railway carriage interrupted by a fellow traveller using a mobile phone. The man expressed interest in the phone, was given it to look at, and promptly threw it out of the window.

But all readers agreed that restaurateurs should display a prominent sign asking mobile phone users to leave their phones with the receptionist during the meal. If they do not, one-liners to be remembered include: "I'd rather not hear about you and your probation officer", "I'll ring your neck" or finally, and most effective if said by a woman to a man: "Kindly put that thing away!" **Nicholas Lander**

A light lunch prepared by Rowley Leigh, chef-proprietor of London's popular Kensington Place: scallops with ceps; noisettes of venison with pumpkin purée and tomato and aubergine gratin followed by baked tamariles and vanilla ice. To drink there were choice wines from the cellars of the London wine merchants Bibendum: a delicious Condrieu; Cabernet from the Waimarama Estate in New Zealand; Recioto di Soave and Mepport port.

Did I say a light lunch? Do that five days a week and you will almost certainly be making an urgent appointment with your doctor. But not according to Jane Clarke, the

dietician who designed the menu. Clarke says one may eat good food and remain healthy - and the above meal was one example.

Sounds too good to be true? Let us hope it isn't. Scaphs can make inquiries to Jane Clarke on 071-833 5323, fax 071-833 5110. **Giles MacDonagh**

Sotheby's first wine sale in Zurich for many years takes



place on Friday, December 9 at the Hotel Baur au Lac and is expected to fetch £500,000. It coincides with Sotheby's 250th anniversary year and the 25th anniversary of Sotheby's Switzerland.

Château Cheval Blanc 1945, '62, '64, '62, '65, '66, '68 and '69, La Fleur Pétus '79 and '86, vintages of Margaux, Lafite, Latour, Pichon-Lalande, Cos d'Estournel and Ducru-Beaucaillou are included.

There are some interesting estimates: SF£8,000-SF£10,000 for a dozen bottles of Pétus '79 and SF£6,000-SF£7,000 for a dozen bottles of '67 Yquem. Sotheby's is hoping a single bottle of the '45 Yquem will fetch SF£1,000-SF£1,300.

In addition, cigars will be auctioned, including some Cuban specials chosen for flavor and rarity. A 44cm Havana "Le Jéroboam de Gérard Péro at Filer" is expected to net SF£400-SF£600. No doubt the buyer will either want to share it with friends or smoke it over several uninterrupted days.

Seriously, the number of exceptional wines from rare vintages might make a very acceptable Christmas or anniversary gift, especially since there are a number of small lots. **Jill James**

Hampton Court Palace still has places available on its Tudor feast lecture tours, running from now until spring next year. Specialist guide-lecturer Sue Jenkins will talk about Tudor food, cooking methods, kitchen equipment and diet. The tour will take place in the palace's royal kitchens, which were designed to feed several hundred. Cost of the tour (on selected Thursdays from 11am to 12.30pm) is £15. Details on 081-781 9640. **JJ**

A welcome sign that, under energetic chairman Adele Biss, the British Tourist Authority is taking a more active role in promoting British restaurants, is the new *Guide to Asian Restaurants in London*. Financed by the BTA and Qantas, 70,000 copies of this guide to 39 of London's best Chinese, Thai, Indian and Japanese restaurants are available free from BTA Asia offices and are being distributed to Qantas passengers arriving in the UK. **NZ**

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مكتبات الأصيل



## FOOD AND DRINK

# Try the rakia, but hang on to your head

Giles MacDonogh visits Bulgaria. He has a meal to remember with a retired cavalry officer and sees the problems of the country's wine industry

I know now that the only way to deal with the after effects of home-made rakia is to eat a large bowl of *shkembya tchorba*, liberally dosed with pickled garlic and scattered with chilli pepper seeds.

I learned as much in the pretty old town of Veliko Turnovo in Bulgaria after dinner with a remarkably hospitable retired cavalry colonel and his wife.

As ever, the meal had begun with a plate of salad and a glass of rakia, the Bulgarian national drink. It is a little like an Austrian *Obstler*: a schnapps distilled from whatever fruit there is to hand.

The colonel was proud of his rakia. I recognised that home-made feel as it burnt its way down my oesophagus stripping away any form of protective lining it encountered along the way. Tears appeared in the corners of my eyes. What kind of alcohol level did it have, I asked hoarsely? Not more than 45 degrees, said the colonel unconcerningly. I would have bet good money it was 10 more.

The colonel cheerfully refilled my glass and raised his own in a toast. I was relieved when my salad plate was taken away and the need to swallow the firewater passed. We ate one of Bulgaria's best little dishes: red peppers filled with feta and beaten egg, dusted with flour and fried in batter. Then the colonel's wife served her special schnitzel, flavoured with marjoram and also dipped in beaten egg.

Later, some little strips of ham made their appearance as we had not finished the wine (the Bulgarian shrugs drink unaccompanied by food). Finally, a sweet cake appeared laced with something like a Rhenish *Apfelkranz*: a reduction of apple juice.

I cannot have drunk more than a couple of tumblers of rakia but the damage was done. *Shkembya* was the only hope.

*Shkembya* is perhaps the one area in which the Bulgarians and the Romanians make common cause. North of the Danube it is called *cioba de burta*, or sour-stomach soup. The words *tchorba* and *cioba* both derive from the Turkish word for soup and this was the broth which fuelled the janizaries, or Christian guards, of the Ottoman army. It presumably gave them the force to fight.

Classic *shkembya* should be brimming with whole cloves of garlic and big, juicy chunks of tripe. If you are suffering as much as I was, you add some more pickled garlic and more pepper too.

Bulgarian cookery is simplicity itself. A salad, such as the popular *shopska salata* (which refers to the people of Sofia), with its tomatoes and grated feta, is served with a glass of rakia. A soup is often served, and sometimes a sort of *assiette volante* in the form of a pancake filled with meat. Next comes a little plate of kebab or schnitzel; or sometimes a cheese dish such as the *kashkaval* or yellow cheese, dipped in batter.

One of the most pleasant meals I ate in Bulgaria was also in Veliko Turnovo, in the



A café converted from a private house in Veliko Turnovo: Bulgarian cookery is simplicity itself

*Mehana* (or tavern) Hadji Mincho, in the old town. I ate rustic potato soup and mutton sautéed with onions while a singer called Petya sang me an apparently lewd song about a woman caught pilfering blackberries.

Meals are not over-generous. Little slivers of meat are frequently served, in good old Communist Block style, under a covering of cheese. The cheese is either white (feta or sirene) or yellow (*kashkaval*). The Party had its own gastronomic tastes, as a Bulgarian friend remembers on the one occasion he was invited to the Politburo guest house (now the Hotel Rila) in Sofia for lunch.

The room was filled with plump little men in shabby brown suits with pools of sweat under their arms. They were all fetching a treat from a buffet and licking their lips as they conveyed it back to their seats. The dish turned out to be whole sheep's heads - eyes and all.

Now that the Politburo is no

more, the old members might well be working in Sofia's central market. I was flabbergasted by the linguistic talents of one of the stall holders who addressed me first in fluent Italian; then moved effortlessly into German until, learning that I was English, he spoke to me in my own language.

The simplicity of Bulgarian food may have something to do with the comparative youth of the state combined with 40 years of communism. After the Bulgars (with a little encouragement from Gladstone) ejected the Turks a century ago, the new nation borrowed many of its culinary

ideas from elsewhere.

From France they imported the verb *"paner"* to cook in batter (this appears on tourist menus as *pane*, as in "brain pane"); from Hungary came *palatschinken* or pancakes; from Russia, a taste for little smoked fish. More recently culinary attention has turned to that bulwark of capitalism, America.

A provincial hamburger, however, turned out to be a fairly crude attempt at the genre: a roll was filled with what tasted like spam, together with a few slices of cucumber and some feta cheese with tomato ketchup.

The restaurant business is booming in Bulgaria for the first time since 1947. People are free to open what they wish. Before 1988 there were about 10 restaurants in the capital, Sofia. Now there are hundreds.

But while you are no longer stuck for choice as to where to go, there is little variety when it comes to the food on the plate. So far, the only post-communist culinary inventions are the *dones*, kebab and the hamburger. We must give them a few years yet. In the meantime I counsel anyone going to Bulgaria to apply their palates to a good bowl of *shkembya*.

There is something odd, not to say unsettling, about sitting in a restaurant in one of the more remote corners of old Europe and having the waitress bring you a bottle of wine on which the label says that it was bottled for the exclusive use of J Sainsbury of Stamford Street, London, SE1.

We Britons are familiar with Bulgarian wine now, but perhaps less aware of the turn of events which led to Britain becoming one of Bulgaria's prime markets.

Bulgaria was designated a wine-producing state for the entire communist block under the Comecon agreement of the late 1940s. Until the arrival of Gorbachev, the Soviet Union provided its main market. Far from liberalising the Soviet state, one of Gorbachev's first moves was to ban drinking in the Communist Party. This resulted in an unexpected blow to Bulgaria's wine industry.

Fortunately for the Bulgarians, their wines had begun to attract attention in certain western markets, notably Germany and Britain. From the mid-1980s onwards the best wines made their way west.

By some curious irony, the *kolhoz* system, which had destroyed the old peasant vineyards on the hillside and brought the vines down on to the productive (but not nearly so promising) plains, proved a boon to British supermarket buyers.

Here was a chance to purchase huge quantities of cheap, decent quality wines for their branches. The price they paid was shoring up Zhivkov's regime with a little much-needed foreign capital. But at the time no one cared much about that. Attention was focused on South Africa.

The success of this change of direction was short-lived. In 1989, Bulgaria underwent its own version of the Velvet Revolution.

Privatisation plans, voted as early as August 1991, were finally enacted in the course of the following year. Land was to be given back to those who had owned it in 1947 (or their heirs).

Many of the wineries had been constructed by the state, but some had not and in those cases there was a good deal of chicanery about giving them back; but, at the time of writing, a third are already in private hands.

Confusion reigns. Not least because of the uncertainty engendered by the probable return of the communists (now disguised as the Bulgarian Socialist Party) in the December elections.

In the two years following the privatisation decree, more than 5m Bulgarians, from a population of just 8.5m, have become property owners.

Political commentators say the BSP will not be able to proceed against this new property-owning class without

bloodshed, they will, however, try to slow down the pace of privatisation. They will also direct business to the state-owned wineries rather than the new private ones.

In many areas the vines themselves are in a lamentable state. Already in the 1980s declining production meant that whole vineyards were left to die.

Now the need to compensate the state for "improvements" made to the land during the 40-odd communist years, has resulted in some people refusing to take back their land. They prefer to wait until the vines have died. That way the need to pay money to the state in compensation will be invalid.

**Bulgaria is in the throes of a revolution comparable to that which took place in France 200 years ago**

If this process is allowed to continue it could mean that both state and private wineries will have problems putting their hands on grapes to satisfy their customers in the west.

In the new private sector there is considerable interest in how the British buyers will jump. Will they continue to buy from the more efficient state-run wineries such as Russos on the Danube, or will they turn to the new private companies such as Lovico in Suhindol?

Konstantin Madjarov, who got his family winery in Stamboliski back only months ago, is bitter about both the Bulgarian state and the western buy-

ers. The new regime has proved itself uninterested in agriculture and his impression is that the west has no desire to see the development of private wine production in Bulgaria. Foreign investment has so far been made in Hungary, Romania and Moldova, but not in Bulgaria.

Madjarov may be right. The British buyers will almost certainly continue to buy where they may be assured of decent quality in sufficient quantity.

In the meantime, the Bulgarians' old friends in Russia have come to the rescue. Yeltsin's land is not the sober place it was under Gorbachev and demand from Russia is high. The trouble is that they only buy cheap wine.

Driving back from Plovdiv to Sofia I could still make out the old south-facing terraces where the best grapes were grown before 1947. The thought of replanting these good sites filled me with a mild optimism.

I found something of the same spirit among Sofia's leading political scientists. They pointed out that Bulgaria was in the throes of a social revolution comparable to that which took place in France two centuries ago.

A new social class has come into being. One of them asked me if I had noticed the hordes of horses and donkeys which now clutter up the Bulgarian roads: "The old communists hate them; they see them as a return to pre-modern times. This is not true: the donkey is the first step to independence."

The same peasant-farmer who invests in a donkey will look after his newly acquired vines, and who knows? Maybe one day his son will stop taking the grapes to the co-operative and make the wine himself.

It was a cheering argument and one which continued in a local Sofia restaurant over a bottle of Young Vatted Merlot (bottled exclusively for Safe-way).



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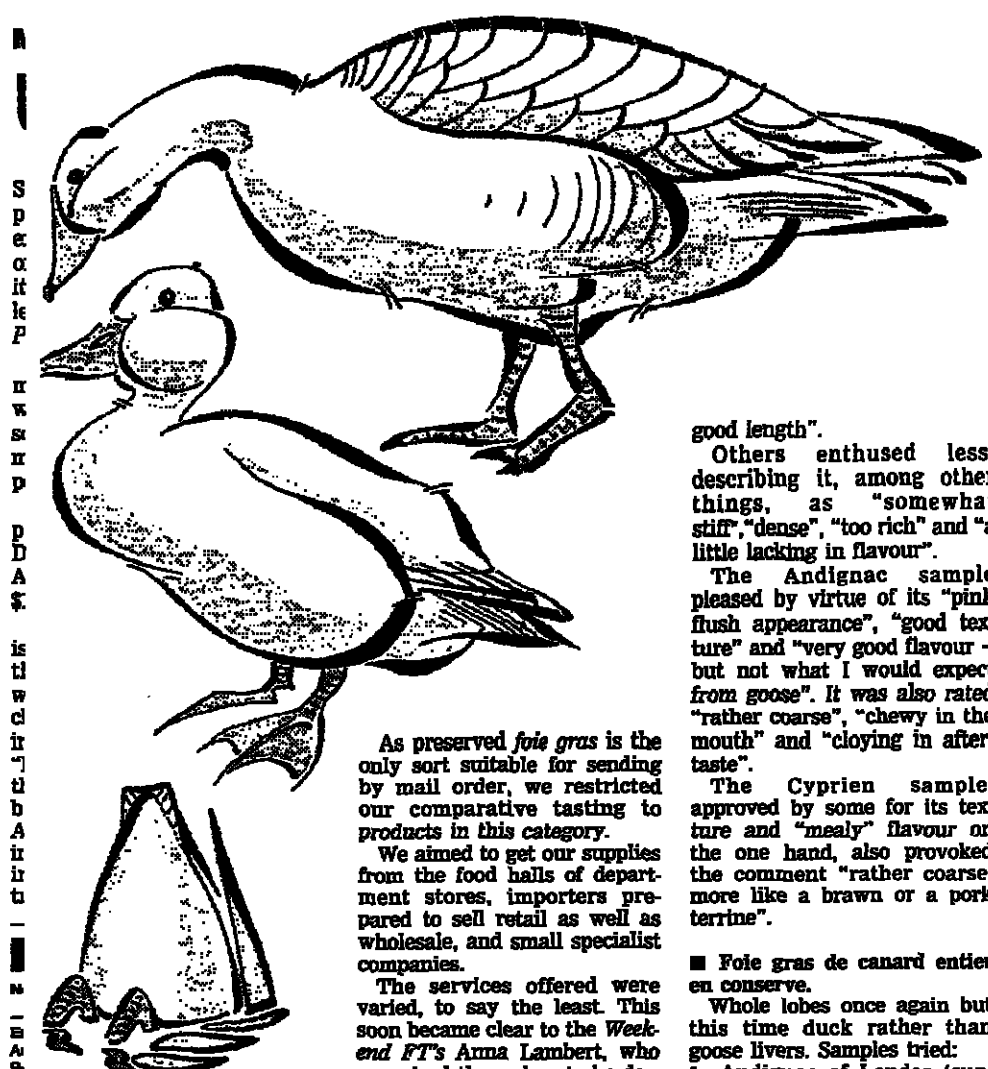
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# Foie gras feasts and top

Philippa Davenport tells you all about fattened duck and goose liver.



good length". Others enthused less, describing it, among other things, as "somewhat stiff", "dense", "too rich" and "a little lacking in flavour".

The Andignac sample pleased by virtue of its "pink flush appearance", "good texture" and "very good flavour" but not what I would expect from goose. It was also rated "rather coarse", "chewy in the mouth" and "cloying in after-taste".

The Cyprien sample, approved by some for its texture and "meaty" flavour on the one hand, also provoked the comment "rather coarse, more like a brawn or a pork terrine".

Whole lobes once again but this time duck rather than goose livers. Samples tried:

1. Andignac of Landes (supplied by Gourmet Products of

France, £17.50 per 180 gram jar).  
2. Auguste Cyprien of Perigord (supplied by Clark Trading Co, £18 per 130 gram tin).  
3. Jean-Pierre Picot of Gascony (supplied by Traiteur Pagnol, £24.50 per 160 gram jar).

We all preferred duck foie gras to goose, and were unanimous in giving our top vote to the Cyprien duck. The general gist of our comments here was good clean taste, good texture, good finish, good value.

Again opinions were fairly united about the Andignac sample: "dense flavour", "quite full in the mouth", "almost sweet" and the word "buttery" cropped up repeatedly; while the Picot sample elicited the description "cheesy" from almost all the tasters.

■ Bloc de foie gras de canard en conserve. Bloc or loaf is a cheaper way to eat 100 per cent foie gras, a smooth blend of foie gras trimmings that is usually, but not always, studded with little nuggets of lobe - look for the words "avec morceaux" on the label. Samples tried:

1. Auguste Cyprien of Perigord (supplied by Clark Trading Co, £12.75 per 130 gram tin).  
2. Jean-Pierre Picot of Gascony (supplied by Traiteur Pagnol, £7 per 65 gram tin).  
Only two samples of bloc as Gourmet Products of France sell it fresh not fully preserved. Results were disappointing here. "Quite nice flavour and good length but not special" was the most enthusiastic response that could be mustered for the Cyprien sample.

Picot fared little better. Indeed it was described as "meatily unsubtle, cloying, coating the mouth disagreeably" by one of our team.

The overall winner by far, the best buy on all counts by common consent, was the foie gras de canard entier in a tin by Auguste Cyprien from Clark Trading. The only pity, we agreed, is that glass jars make more handsome and impressive gifts than tins. But taste is the most important thing, and the fact that tins are lighter and less fragile is an obvious postal advantage.

It is undeniably true that the much more perishable fresh or *mi-cuit* foie gras is superior to fully preserved - the lesser heat treatment it has undergone permits texture and flavour to retain greater delicacy.

With this in mind, London-

ers may like to note that Gourmet Products of France sells fresh whole lobes of goose at £35 and duck at £29 per 300 grams, and *en bloc* of duck at £16 per 250 grams. Traiteur Pagnol also sells fresh lobes at £29 and £25 per lb for goose and duck respectively. Remember, these products need to be kept under refrigeration so

grapes, makes an exquisite fast feast for a *deux* occasions. The other great foie gras delicacy is a freshly-made terrine. This has to be cooked ahead and is a spectacular party piece.

To remind ourselves of this fact we tasted a terrine of foie gras specially prepared for us by Gordon Ramsay, of the much-lauded Aubergine restaurant at 11 Park Walk, London SW10 (tel: 071-852 3449). Silky smooth, with a sensuous melt-in-the-mouth texture, fine lingering flavour and a shiver of shimmering jelly on the side, it was food for the gods.

As my colleague Nicholas Landes pointed out, when you taste something like this, and you think of the time and ingredients that have gone into its making, the restaurant charge of £12 per portion does not seem exorbitant.

Aubergine does not, alas, sell its terrine of foie gras as a take-away. However, terrine of foie gras can be cooked to order for collection from the House of Albert Roux.

Or, if you have the time and enjoy culinary adventures, you could buy raw foie gras and make your own terrine at home. Gourmet Products of France sells raw duck foie gras

at £40 per kilo as does House of Roux at £18.50 per lb. A recipe for terrine of foie gras will follow next week.

■ Clark Trading, 17 Southbrook Road, Lee, London SE12 8LH. Tel: 081-297 9987. Fax: 081-297 9993. Postage and packing £2.95. Last orders for Christmas: December 19.

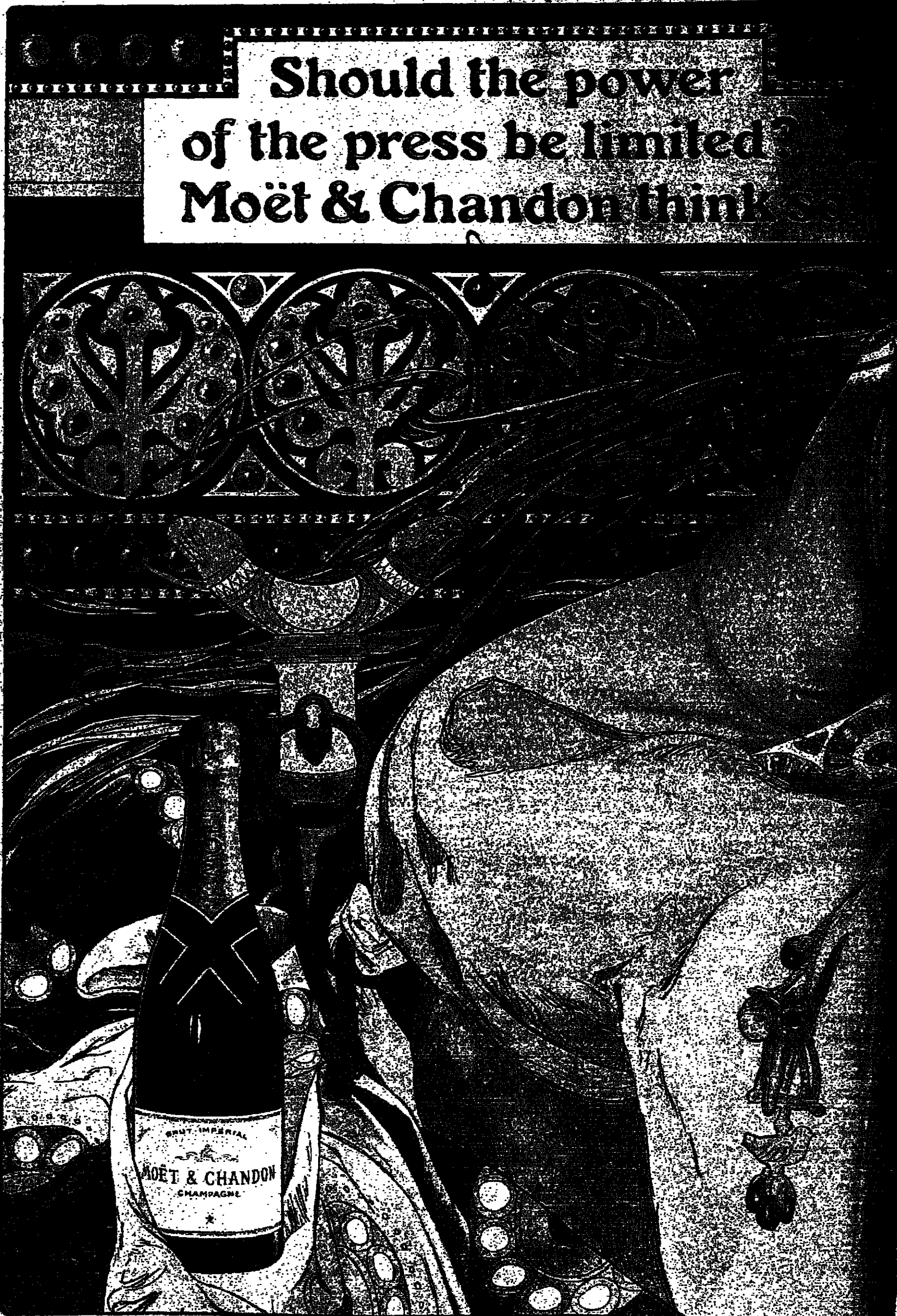
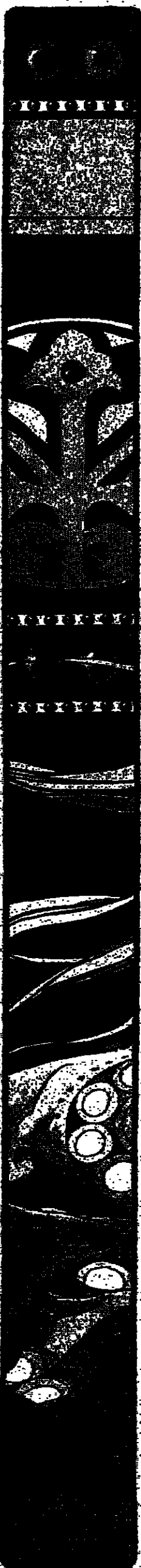
■ Gourmet Products of France, 123 Howards Lane, Putney, London SW15 6JL. Tel: 081-788 6908. Fax: 081-399 2732. Deliveries free in London. Postage and packing outside London (suitable for preserved products only) £4.50 per jar. Last orders: 28 November.

■ House of Albert Roux, 229 Ebury Street, London, SW1 8UT. Tel: 071-730 3037. Fax: 071-823 5043. Last orders for Christmas: December 16.

■ Traiteur Pagnol, 170 Regents Park Road, London NW1 8JL. Tel: 071-689 6884. Fax: 071-616 1983. Postage and packing (suitable for preserved products only) £4.50 for the first item plus £1 for each additional item to the same address. Last orders: December 16.

■ Harrods can supply raw goose foie gras at four days notice for £35 to £40 per lb. Tel: 071-790 1234.

## Should the power of the press be limited? Moët & Chandon think so



## Sweet and golden

There is a theory, in the arcane subject of matching food and wine, that a region's own liquid produce generally goes best with its solid (edible) matter. It seems rather tenuous to me. Whisky may be delicious with haggis and Ribera del Duero with the pitifully hort-limbed milk-fed lamb eaten in that part of Spain, but in with jellied eels? Bandol with bouillabaisse?

We could discuss this fascinating subject for many weeks, and certainly the wines that go best with foie gras are in general produced in regions where ducks and geese are never allowed to be peckish.

Because foie gras is so rich, it tends to make all but the most sumptuous red wine taste rather thin and puny, whereas sweet, golden liquid can ease just the job - especially when the foie gras is served with something sweet as it so often is.

The south-west is not just France's centre for foie gras production, but also for her sweet wines: Sauternes most notably but also Monbazillac and, from further into foie gras territory, moellaux (sweet) versions of Jurançon and Pacher-

enc du Vio-Bibi. These last two are often easier and more refreshing to drink young (in single-figure prices per bottle) and in my experience go particularly well with foie gras. Try Adnams of Southwold, Suffolk, Lea & Sandeman of London SW10 and, of course, the determinedly francophile Nicolas shops in London for examples of these appellations.

On the opposite side of the hexagone both foie gras and some sweet white wine to drink with it can be found in Alsace - although it can be devilishly difficult to tell from the label just how sweet an Alsace Vendange Tardive or Selection de Grains Nobles actually is. Many less expensive Alsace wines without these riper-sounding words on the label are actually made quite sweet enough to drink with foie gras. Rolly Gassmann from Bihendun, London NW1, Schoffitt from Oddbins and Adnams, and Faller from O W Loeb, traditional independent merchants and now Oddbins spring to mind. For a wide range of Alsace wines, La Vignerons of London SW7 and Wine Rack are hard to beat.

JB



CHRISTMAS FOOD AND DRINK

# quality wines to savour

Jancis Robinson goes upmarket for her seasonal wine-buying spree

For the last four years, with a conscientious nod to the recession, this pre-Christmas wine buying column has concentrated on inexpensive chainstore wines. This year things are looking up. If FT readers cannot afford to splash out a little on a special bottle or two for the holiday season, who can?

And when it comes to wines selling above £5 or so a bottle, the best independent wine merchants have much more to offer than most supermarkets and high street chains.

The most reliable guide to finding the best independent wine merchants all over the UK is the (almost) annual *Which? Wine Guide*.

The 1993 edition is just out, published at £13.99 by the Consumers Association under the editorship of Harry Eyres, one of our more fastidious wine writers.

He chooses as independent wine merchant of the year Lea & Sandeman, of London SW10 and W8 - a slightly Sloaneys firm of which I am also a great admirer.

A good measure of an independent wine merchant is how it buys. Deduct 10 points for

those who simply ring around the wholesale importers; add 15 for those who, like Charles Lea, take the trouble to scout around the byways of the world's wine regions in search of exclusive little *boutteilles*.

Actually Lea & Sandeman's prowls are pretty much confined to France and Italy. They have some clever choices from the New World but limit themselves to two very un-Australian Chardonnays.

Their strength is in the wine world's classics (of which they have a constantly changing stock), characterful bargains from southern France, Valdespino's connoisseur sherries, and evidence of the Italian wine revolution that is shamefully rare in Britain.

Wine merchant of the year, so far as this year's *WINE Magazine International Challenge* was concerned was, yet again, Adams of Southwold, Suffolk, surely Britain's most confidently innovative wine merchant.

This much larger outfit, run with flair by Simon Loftus, can afford many more passions than L&S - indeed the annual game with its instructive and attractive list is to spot this year's weakness or two rather

than a particular strength.

The May list is supplemented throughout the year with a series of pamphlet enthusiasms which have recently included Australia, Austria, Alsace and evidence that their approach is non-alphabetical, the Southern Rhône.

Lea & Sandeman's shop prices per bottle tend to be

**For personal service, you could do worse than an independent wine merchant**

about 10 per cent higher than Adams', but then premises in London tend to be rather more expensive than in Suffolk market towns, even charming old Southwold. Mail order prices from the two merchants (those quoted below) are much the same, with delivery free for those spending more than £50 with L&S, and for those buying at least 24 (assorted) bottles from Adams.

Adams is a member of The

Bunch group of wine merchants (together with Job's Arm of London W11, Cor & Barrow of London EC7 & Wheeler, Laytons of Lew. NW1, Tanners, of Shrewsbury, Shropshire and Yapp Bros, of Mere, Wiltshire) which is doing its best to instill confidence in the independent wine trade.

Below are some representative examples (whites before reds in ascending price order) of the exciting wines currently listed by these wine merchants - each demonstrating the sort of individuality that is all too rare on the shelves of the chains and supermarkets.

Oddbins is the exception to this rule, continuing to offer wine drinkers evidence that it is on the cutting edge of the wine world. Some of its best buys this winter are therefore also included below.

But for really personal service, you could do very much worse than track down your nearest independent wine merchant, who is probably motivated chiefly by his or her product and a giant helping of enthusiasm.

LEA & SANDEMAN, 301 Fulham Road, London SW10 (071-378 4767) & 211 Kensington Church Street, London W8

1. 221 1982. *vine de Joy Cuvée Spé* 1992, £5.37. Oak-aged dry white made mainly in Manseng grapes (of Jurançon fame), long, lively and so much easier to drink without food than Chardonnay.

Monbazillac 1990 Domaine de l'Ancienne Cure, £8.95. Most wine merchants worth their salt have gone scouting for a Monbazillac from this first class sweet white vintage. This one might need a little more acid for long term development but is just the luscious thing for drinking this winter.

Chablis Premier Cru Beauvillain 1992 Tribut-Dauvissat, £13.33. Fine, sleek, classic Chablis with *terroir* in spades. Its assertive acidity should revive jaded palates.

Cuvée Pierre Audouin 1993 Domaine Piquemal, £4.58. A frank, glossy Merlot-based vin de pays from Roussillon that would make a delightful house red.

Les Dolomies Coteaux du Languedoc 1993, £5.58. Seductively scented Syrah from the Garrigue. Full, rich and flattering.

Cabernet Sauvignon Olimpo 1992, £5.98. The bottle alone looks worth double the price.



Aromatic cold turkey red.

Domaine du Deffends Clos de la Truffière 1990 Coteaux d'Auxois, £7.34. A great find. Handsome Provencal blend of concentrated Cabernet and Syrah that should please and impress a wide range of palates. A particularly stylish magnum (£18.95 each) would make a delicious present.

Ch Le Grand Bourdieu 1990 Graves, £7.34. Appetising, crisp, classic Graves with lots of fruit and chew.

Vino Nobile di Montepulciano Riserva 1990 Dei, £9.40. Lots of punch and vigour; a good Boxing Day restorative.

Savigny les Beaune Les Lavères 1989 Domaine Chandon de Brailles, £11.95. House wine of Moët & this soft red burgundy would make a perfect accompaniment for turkey et al with gorgeous Pinot Noir fruit and nice, appetising zip.

Côte-Rôtie 1991 Domaine Chussey-Roch, £15.86. Top quality northern Rhône red made by

talented team whose sophisticated winemaking delivers a plummy, rich wine that can already delight but will be better still at the turn of the century.

Camartina 1990 Querciabella, £17.82. Sumptuous blend of Cabernet and Sangiovese. Scented, well balanced and already approachable (although better cellared for three or four years).

ADNAMS, The Crown, Southwold, Suffolk (0502-724222).

Pinot Blanc Rosenberg 1992 P. Blanck, £5.15. Really rather serious for this useful, keenly priced appellation. A good house aperitif for connoisseurs while the rest of the household might appreciate the more obvious charms of the Pfaffenheim 1993 Pinot Blanc at £4.95.

Dr Loosen Riesling 1992, £6.20. First-class aperitif. Dryish, refreshing yet scented. Thresher with all their buying power charge £5.99, without delivery.

Schaeuble Kabinett Trocken 1993 Lingenfelder, £8.75. The modern face of German wine - a dry white with lashings of flavour and concentration. Albarino Morgadio 1992, £10.75. Galicia's finest - a fine dry white palate sharpener from Atlantic-cooled Spain.

Le Marigny Vouvray Moelleux 1990, £14.75. Great honeyed mouthfuls for the end of the meal without any heady or excess of alcohol or sickly lack of acidity.

Puligny-Montrachet Clavoillon 1992 Domaine Leflaive, £26.50. A treat. A relatively early maturing white burgundy from Puligny's best address.

Lirac, Les Queyres 1990 André Méjan, £5.85. Full, powerful, licorice-scented mouthful of southern warmth.

M Shiraz/Pinot Noir 1992 Victoria, £6.20. A blend of Rhône and Burgundy red grape varieties overtly traditional in Australia, a more clandestine marriage of convenience in old-fashioned burgundy, is surprisingly successful. Slightly jammy but fruit in all the right places and ready to drink now.

Domaine du Grand Crès 1991 Corbières, £8.45. Wild southern French wine made by an ex-Domaine de la Romanée-Conti perfectionist from a high, isolated, beautiful vineyard.

Sablé 1993 Ch de Trignon, £5.75. Lively Côtes du Rhône. Villages red that should continue to improve over the next two years but could be order from Adams' current Rhône offer in time for Christmas drinking.

Vaqueyras 1990 Cuvée Les Tempeliers, £8.95. Amazingly deep colour and very, very deep flavour. Lots of Syrah grapes in this blend which still has considerable life in it. Probably the best bargain of these three Rhône wines from Adams.

Dry Country Grenache 1992 Rockford, £7.20. Non-irrigated yet juicy Barossa version of Châteaufort-du-Pape. Lady Langon 1980 St Julien, £9.75. Second wine of second growth Bordeaux Ch Léoville-Barton, consistently reliable and under-priced.

Joseph Cabernet/Merlot 1992 Moda Amarone, Grillo, £12.55. South Australia meets north east Italy in this impressively balanced red concentrated by drying the grapes before fermentation. Vibrant, lively, beautifully constructed.

ODDBINS Nearly 200 shops around the country which try to offer the full range via well-educated staff. There are also Fine Wine Shops in London, Edinburgh, Glasgow, Oxford and Cambridge which sell smaller parcels of fine wines, notably the gorgeous Moss Wood Chardonnay at £10.99.

Reuilly 1993 Aujard Mabillot, £5.99. Very convincingly fruity Sauvignon from this close relative to Sancerre. (Buy the Manston Salon Cuvée Vanessa for £1 more if appropriate, or the Chilean Santa Isabel Sauvignon 1994 for a rather fruitier style.)

Various north American Chardonnays £5.99 - £12.99. Some real substance here, even in the Rex Hill and Sterling versions at the bottom end of this price bracket. At the top Newton and Landmark

Damaris can also offer gloss and some prospect of further development.

St Vran 1993, Domaine des Deux Roches, £6.49. Not a Mâcon trying to taste like a Côte d'or wine but an utterly satisfying rendition of this useful appellation, ultra-ripe for enjoying this winter.

Late Harvest Botrytis Semillons 1992, £7.49 and £6.99 a half, from McWilliams and Yalumba. Great rich sweet wines. Just the thing to make a meal memorable. Pity that now that the EU will allow these 'stickies' in, Australian growers have lost patience with producing them. Buy in quantity especially the rather more concentrated Yalumba version.

Various 1993 Alsace whites, Domaine Weinbach, £6.99 - £15.99. These fuller wines are a dream - very rich and powerful, even the Sylvaner. Both the Gewurztraminer Reserve and the Riesling Ste Catherine are sublime (£10.99 and £15.99 respectively). The less expensive Sylvaner and Pinot Blanc

**Terrible labels. Great value. A brace of exciting, old-fashioned, thoroughly full-bodied reds**

would make great aperitifs. Chablis Premier Cru Montée de Tonnerre 1992 Louis Michel, £11.99. Lively, pure, very slightly lean. Buy in quantity for mornings, or evenings, after - and a very good price. Condrieu 1993 Cuilleron, £19.99. Not cheap but a taste thrill for most who encounter this extremely well made old-vine version of fashionable Viognier in its home town. Ch-Grillet lookalike bottle.

Peter Lehmann Vine Vale Shiraz 1992, £3.99. Very silly price for a wine with this much bang. Great value for enthusiasts of Barossa's chocolate-thick reds. Havenscourt Pinot Noir and Cabernet Sauvignon, £4.99 each. California is awash with well-made wine available in bulk (no-one wants to sully their carefully cultivated winery name with cheap estate-bottled stuff). Typical of Oddbins to create its own label to take advantage of this phenomenon. Best value by far are these two reds, the Pinot Noir having a bit of age and richness to it, the Cabernet being a mouthful of very frank, lively fruit.

Peter Lehmann Clancy's 1992, £6.49. A Barossa Valley blended red with an element of sophistication.

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GARDENING / MOTORING

Gardening

# Blankets for the beds in winter

Robin Lane Fox on how to deal with semi-hardy plants

**T**his month has proved remarkably mild in the south of England and a hard winter still seems a distant possibility. The ceanothus are back in bud; evergreen choisycas are having a second flowering; and, out of doors, the fuchsias have still stopped. It is strange to be picking small bunches of roses when the hedges are finally turned into the countryside's last burst of yellow.

But take no chances and believe no signs of kindness: mother nature can be cruel and I do not trust her to behave herself from this weekend onwards.

Any misbehaviour is harmful to gardeners because we are all growing more semi-hardy plants than we used to 20 years ago. They multiply easily for the many small nurseries which have arisen since 1985. They look clean and fresh in late spring - exactly what supermarket shoppers now expect from plants. And they transform gardening in pots and small urban spaces.

Since 1981-1982, we have not had the sort of winter which makes us all swear, briefly, never again. In normal winters salvation can come in different forms. Here are the options (doing nothing is not one of them - and doing everything is pointless).

Perhaps the geraniums are still flowering, but you are very lucky because they ought to have died weeks ago. Most of next season's half-hardy plants for pots will be much better if they are grown afresh as newly-rooted cuttings in 1995. All of my personal favourites are better thrown away, except for one or two parent plants from which cutting should be taken early next year of young growth which is being brought on under slight heat.

Plants such as verbenas, heliotrope, pelargoniums and penstemons will flower less freely from their second year onwards. All you need to keep is a parent, or perhaps two, to cover yourself against disaster. The others might as well be thrown away.

The only exceptions are plants grown for their leaves. Here, the lovely forms of scented geraniums are admirable companions during winter inside the house. Trim them slightly at the tips of their stems to stop them becoming straggly, but save as many as you like because they improve with age. So does the widely-grown *Helichrysum petiolatum*.

## The wrapped plants lived but their unsheltered neighbours were dead

with its felted grey leaves. It is worth training one or two plants in a large pot where they can be clipped and trained into mounds of grey leaves on a framework of arched wire from one season to the next.

Otherwise, the plants which you lift can be clipped hard - very hard if they are tender geraniums which will otherwise become too leggy.

For safe storage, they do not only need a place where the temperature will not fall below freezing. They also need light and air. In this mild spell, the dangers have been mould and mildew, especially on anything which was lifted with flowers and leaves waiting to turn brown.

Many of my soft plants begin the winter in a frost-proof shed, which is only frost-proof if the door is kept firmly shut. Closure encourages mildew,

especially if you overwater. Remember to open the door on mild days and try not to water too often when your plants are only ticking over. Once every 10 days is usually quite enough.

Perhaps this lifting sounds too energetic and you are short of storage. On the margins of hardness, you have another option - leave the plants outside and wrap them in a suitable blanket.

A mound of bracken used to be the best answer but the business has changed - even though though most of the gardening books do not acknowledge it. Instead of bracken and rotted leaves, we can all use artificial blankets. The best of them allow water to seep through, avoiding the dryness which bracken usually causes. They take the edge off cold wind and mitigate the sharpness of an average frost. After three years' experimenting, I now swear by them and reckon that we all have more to learn about their possibilities.

To the trade, they are known as crop covers and are most familiar when protecting early vegetables and seedlings. Garden centres now sell the lighter grades of blanket in small pieces for gardeners with a plant or two to be protected.

These fibres and fleeces are helpful, but they are not as heavy as I would like for serious defence of big shrubs and soft summer-flowering plants. This year I am following up my researches at the summer flower shows and opting for the Envirofleeces made by Agralan. Their blankets are heavyweights on wide rolls and trade discounts should apply to those of you who need 100m lengths at a time.

Two new weights in this brand are the Agralan Envirofleece 30 which is a medium grade for small shrubs, half-hardy border plants and things such as salvias through-



out the winter, and the Envirofleece 60, a heavier grade for large shrubs and climbers.

Both these fleeces are made from polypropylene and are easily pinned round and in front of the plants whose hardness causes you most worry.

But why bother, when a really heavy frost will have its way regardless? From my experiments in recent winters, I have found that it is worth the modest expense and effort. In generally mild winters there have been a few short sharp shocks sufficient to knock out unprotected marginals such as *Hebe hulkana*, the taller daisy-flowered *osteospermums* and the tender forms of *salvia* and *diascia*.

Those which I wrapped in lightweight fibre-blankets had survived when I unwrapped them in April. Their unsheltered neighbours were stone dead, as usual. No doubt a really ferocious winter will go through your Envirofleece and be as lethal as ever, but these gentler seasons have certainly been abated by these new protections.

The trouble is that most of them come in an intrusive shade of fleecy white which then turns dirty grey like a sheep in a wet November. Agralan have introduced a pale green medium fleece which takes the edge off the eyesore and is adequate for smaller shrubs.

By lifting a few parents and blanketing the best of the rest, it should be possible to avoid the casualties which disgraced gardens in the 1970s and 1980s.

Every pest is quick to outwit the latest predator and no doubt, mother nature will hit us with a really hard one just when I think that I have blanketed her out.

Until she does, fleece the plants at risk during the next few weekends: peg the blankets down or weight them into place with stones before the winter fleeces the plants from you instead.

■ *Agralan, the Old Brickyard, Ashton Keynes, Swindon, Wiltshire SN6 6QR (Tel: 0285-960015).*

Motoring / Stuart Marshall

# Range Rover is no stick-in-the-mud

This mobile drawing room can be taken for a rough ride

**T**he woodland ride was like a switch-back - glutinously muddy on the peaks, deeply waterlogged in the troughs. Bushes scraped the sides of my Range Rover 4.6 HSE automatic as it dealt effortlessly with terrain on which few people would risk a valuable horse.

So what was I up to, treating £44,993 worth of air conditioned, wood and leather trimmed mobile drawing room as cruelly as a farmer might a battered old Land Rover?

It was all the manufacturer's doing. "Come to Eastnor Castle," an executive had said. "I know you liked driving our new Range Rovers on the road; now spend a day trying them over the rough stuff." (He could have added: "Where only one buyer in 100 ever drives them.")

Eastnor Castle estate provides the best (by which I mean the worst) terrain in Britain on which to play with a 4x4. Barring snowy wastes, rocky scree or desert sands, you can find any kind of surface that an on-off road vehicle is expected to cope with or climb up. With one exception: the proverbial high kerb outside Harrods, which is the toughest obstacle most Range Rover owners reckon to surmount.

No doubt the resourceful Major Ben Harvey-Bathurst,

who for years has allowed Land Rover use of the Eastnor Castle estate to test its products to destruction, could provide one if asked. This archetypal English country gentleman has managed, with the aid of bulldozers and, it is rumoured, occasional explosions by army personnel in training, to provide absolutely everything else.

Coincidentally, I had a Range Rover LSD - the model with a BMW 2.5-litre turbo-diesel engine and manual gearbox - on test. On the 400-mile return trip from my home to Eastnor it motorway-cruised in near silence at business motorist's speeds, rode and handled almost like a luxury car on A and B roads and returned a more than satisfactory 24.7mpg (11.44 l/100km). This bluff fronted, two-tonne, on-off road vehicle is no heavy drinker.

But back to serious off-roading. There used to be a golden rule for driving off-road. Never touch the brakes. On steep, slippery hills, rely entirely on the drag of the engine in low range first gear to control the rate of descent.

This meant automatics were inclined to run away. But the Range Rover has ABS brakes. I was allowed a dab on the pedal to keep the 4.6 HSE nicely under control on muddy slopes as steep as the roof of a house. Nothing fazed this most luxurious of all Range Rovers.

An air suspension that can be set to five different heights is also standard equipment. The lowest setting is to make it easier for women in tight skirts to enter and leave with dignity. And the highest gives enough extra clearance to let it be driven over humps on which lesser machines might perch helplessly, all four wheels off the ground.

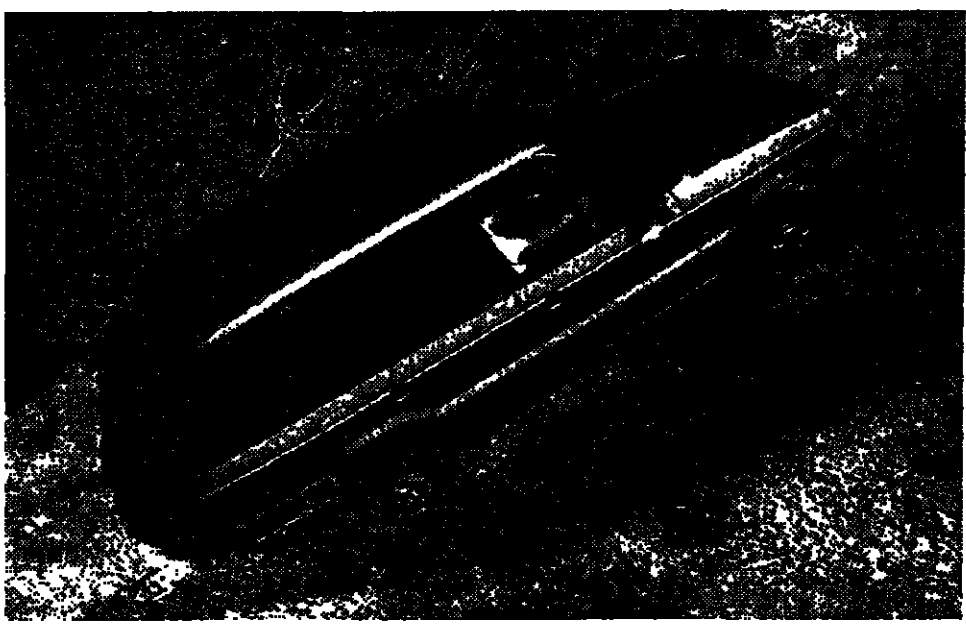
On the road, the Range Rover's heavy beam axles prevent ride comfort - good though it is - from being equal to that of independently suspended luxury saloons such as BMW's 7-Series, the Mercedes S-Class and Jaguar's XJs.

But off road, the Range Rover has no rival. Extreme axle articulation keeps all the wheels on the ground while the soft air suspension takes the sting out of what would otherwise be horrifying bumps.

A slightly less expensive (£36,512) 4.0-litre V8 petrol engined Range Rover with automatic transmission went just as well as the flagship 4.6 HSE but my favourite, on as well as off road, was the 2.5-litre turbo-diesel. It costs the same as the 4.0-litre V8. On road, I prefer automatics (a two pedal diesel is coming next year) but I still think there is nothing like manual transmission for serious off-roading.

On hills on which ABS brakes were needed to curb the automatic V8's urge to run away, the turbo-diesel wound itself down slowly with the sure-footedness of a mountain goat. With backstretches of torque (pulling power) at low revolutions, it climbed steep slopes in third gear without excessive wheel spin.

Most of the people who drive Range Rovers - or for that matter Shoguns, Land Cruisers, Troopers and the rest -



Rough with the smooth: the Range Rover is like a luxury car on the road. Off road, it's a mountain goat

have not the slightest idea of the off-road capability that has been built into them. Many are not interested. But any who are should take advantage of the off-road driving courses offered by the manufacturers and independent specialists.

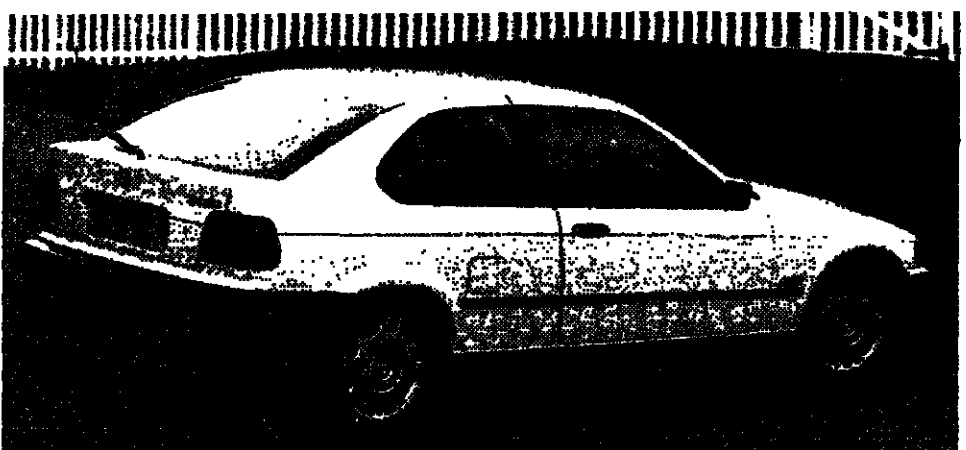
Beware of operators who buy a couple of clapped-out old

Land Rovers and rent a disused quarry.

Vince Cobley, who runs off-road events in Northamptonshire, says an inexperienced driver of a 4x4 on rough terrain can be a disaster. His firm, Pro-Trax, can provide vehicles and tuition. But if you have a 4x4 of your own, you can have

tuition and then try serious off-roading on a course that will leave your vehicle dirty but undamaged. Call him on 0636-770056.

After a day's driving through mud and water, I promise you will never look upon your on-off road 4x4 as just a high-slung car substitute again.



## A BMW to tempt Golf and Escort drivers

**B**MW stresses that its new 3-door Compact is not a hot hatch-back but a smaller, more affordable version of the 3-Series saloon. Although 919 (22.5cm) shorter, it has the same wheelbase and interior. What you lose in luggage room - and it is not very much - you gain in accessibility by having a tailgate instead of a boot lid, plus split folding rear seats.

Prices of the eight-model range start at a remarkably low £13,350 for the 316i and go up to £18,020 for a 318ti Lux automatic. A 318i turbo-diesel, priced around £14,500, is due early next year.

The two Compacts I sampled were the cheapest 316i and 318ti (£13,350). They were typical BMWs in every way: rear-wheel driven, solidly built, well-mannered and refined, with a suppressed eagerness. Of the two, I preferred the 316i (pictured). Its 1.6-litre, 8-valve, 102-horsepower engine sounded sweeter than the more vigorous (140-horsepower) 1.8-litre.

I felt I could live with its less urgent - though still more than adequate - acceleration and lower theoretical maximum speed because it was a car with which one struck an instant rapport.

Sensible drivers could expect

average fuel consumptions of 38.2mpg (7.4 l/100km) for the 1.6-litre and 34mpg (8.3 l/100km) for the 1.8-litre. The turbo-diesel should return 47.5mpg (5.9 l/100km).

Standard equipment includes ABS brakes, driver's side airbag, power steering and central locking with immobiliser - but you must buy your own radio.

BMW GB says the Compact is designed to attract former owners of the Lapsed, old-shape two-door 2-Series. No doubt it will. But I can see it making plenty of VW Golf, Ford Escort and Vauxhall Astra owners contemplate buying their first BMW.

# Battle of the jumbos

Continued from Page 1

pick up market share.

Any passenger with a confirmed ticket who risks being bumped off an overbooked flight should stand his ground in the check-in line. Airline staff will try to persuade passengers to step aside to sort out the problem to avoid delaying the entire check-in process. Those who agree will miss their flight. Those who make a fuss will get a seat, usually with an upgrade.

Liberalisation, globalisation and consolidation in the industry have other implications for passengers. For the past few years, airlines have all been jostling to form alliances, buy equity stakes in each other, and to form commercial partnerships to extend their global reach and market penetration.

The prevailing trend has been code sharing agreements. Bob Crandall, the chairman of American Airlines, the world's biggest carrier, describes these deals as "the great deception". Code sharing enables two airlines to use their ticket codes on each other's flights. A passenger may think he is flying BA all the way from London to Cincinnati because his ticket says so, but he might be changing aircraft in Pittsburgh and continue his journey on USAir. BA's financially troubled American partner. What you expect from BA is not what you may get from USAir.

Technology is also continuing to change the nature of air travel. Jet legs are getting longer. New Airbus and Boeing aircraft can fly non-stop for 16 hours or more, and the manufacturers are already studying the development of 800-1,000 seat double-deck super jumbo aircraft, which could transform long distance air travel into an extended city rush-hour crush. How are you going to make 16-hour non-stop journeys bearable? Airlines are already developing new high-tech entertainment systems including electronic gambling and multi-channel videos.

Richard Branson pioneered the idea of bringing back a sense of fun to air travel when he started his airline 10 years ago. He introduced first class travel at business class prices, an extensive library of in-flight entertainment, in-flight massages, the possibility of ordering a suit just before taking off in London to be ready on arrival in Hong Kong, and, according to some of his stewardesses, the tradition of giving a resounding send off to any passengers graduating to the "mile high club"; those who succumb to the sexual arousal long flights are said to provoke.

That is Virgin's special style, but its bigger airline rivals are also adapting to the new demands of long distance travellers. It is no longer just a question of price and comfort. It is also the introduction of

what British Airways calls a sense of well-being in the skies by becoming more conscious of the health needs of passengers.

For the future super jumbos, BA has already drawn up plans to include lounges and gyms, even possibly a swimming pool on board. Airbus has also been working on designs for its proposed A3XX jumbo with self catering cafeteria-style facilities on board to avoid the problem for the crew of feeding up to 1,000 passengers.

Mass air transport is not only becoming a logistical headache for consumers but a health hazard. This is not because modern jets are dangerous (they are far safer than road or rail transport), but because humans spent crossing time zones in a cramped cabin with the same oxygen level as Mexico City is bad for you.

Just like pilots, passengers are having to monitor what they eat, drink and do on long trips.

## Businessmen, politicians and diplomats have made serious errors of judgment straight after a long journey

And airlines are already adapting their in-flight service to respond to the new health issues raised by modern jet transport. They are increasingly offering lighter meals and introducing more long distance non-smoking flights despite the risk of losing business in some markets.

In adding leisure facilities to their aircraft, airlines are also responding to research which suggests that it is a waste of time to work on a long flight. Studies by the Royal Air Force have shown that it is difficult to concentrate and to assimilate many new facts on a long haul flight. Jet lag is also known to cause loss of efficiency on arrival, and has led many businessmen, politicians and diplomats to make serious errors of judgment straight after a long journey.

John Foster Dulles, the late US Secretary of State, admitted just before he died to a critical mistake that probably led to the 1956 Suez crisis because of jet lag. Immediately after returning to Washington from a Middle East diplomatic shuttle, he learnt of President Nasser's agreement to buy arms from the Soviet Union. Tired and angry, he decided to cancel a big loan for the Aswan dam project in Upper Egypt. The Suez conflict followed with the subsequent nationalisation of the Suez canal and war with Egypt.

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## SPORT

## Soccer

# Clough: a top boss but no saint

Philip Coggan tackles a controversial autobiography

It is a common mistake to assume that sporting heroes are all-round lovable individuals.

Even though Paul Gascoigne can dribble round defenders and find a colleague with a 40-yard pass, he would not be most parents' choice as the ideal son-in-law.

It is thus with a heavy heart that one approaches Brian Clough's autobiography. Much as one admires the man's managerial record, his strident television appearances conjure up fears of a 200-page long taxi driver-style rant.

The book is not that bad, although the first chapter might have come from a Monty Python style script conference. The opening sentence - "If ever I'm feeling a bit uppity, whenever I get on my high horse, I go and take another look at my dear Mandy's mangle that has pride of place in the dining-room" - is ripe for delivery by Michael Palin.

Later on, we get Clough the philosopher: "It's not the fashion to say this nowadays, but a woman's job is to be there (in the home)." Thanks, Brian, but Bertrand Russell can rest easy in his grave.

One unexpected emotion that leaps out of the footballing section of the book is sadness. His playing career was cut short by a knee injury, without the international recognition that he clearly felt he deserved, and his record appears to justify 204 goals in 222 games for Middlesbrough but only two caps for England. His outspokenness ensured that he never became manager of his country but now, ironically after his retirement, the

Football Association has finally appointed a coach with a controversial record and a Clough-like devotion to the passing game.

He lingered on as manager of Nottingham Forest too long, as he readily admits, so his distinguished career ended, not with an FA Cup final appearance in 1991, but with relegation in 1993. By that stage, his youthful good looks had gone and his face revealed the ravages of a problem confessed in the epilogue - he drinks too much.

Then there are the breakdowns in personal relationships which litter the book. His appointment as skipper split the Middlesbrough team into two camps. He describes his first chairman as "one of the most evil men I have ever met". He encountered sullen hostility from the players at Leeds and lasted only 44 days in the job.

Saddest of all is the break-up with Peter Taylor. It is easy to forget but the greatest successes of Clough's career - the League championships, the European Cups - were achieved as part of a double act. Taylor spotted the players, Clough motivated them.

What kept the duo going was the "cheeky chappy" element of Taylor's personality. Clough's fondness for Taylor, which excused the latter's habit of "slipping off" home at the earliest opportunity, was perhaps due to his assistant being the only person at the club who was not intimidated by him. While the odd player gets an honourable mention, such as John Robertson and John McGovern, the book is dedicated to Taylor.



Clough: his book is not that bad, although the first chapter might have come from a Monty Python style script conference

Yet in the seven years that preceded Taylor's death, Clough admits that he spoke only a few words on the telephone with his old colleague.

They had fallen out when Taylor, then manager at Derby, had poached Robertson from Nottingham Forest.

One revealing passage in the book says it all: "It was an astonishing and bitter end to our relationship, but my conscience was untroubled. I didn't instigate it." That fierce

pride kept Clough apart from his old friend.

And pride also lies behind the most controversial part of the book - the section dealing with the Hillsborough disaster. Yorkshiremen are often proud of their plain speaking, of their willingness to call a spade a bloody shovel.

When it applies to criticism of chairmen, football commentators or FA bureaucrats, plain speaking can be amusing. But when the subject is a tragedy,

when the only result of your words is anger and anguish among the relatives and friends of the dead, then the wise man keeps his silence, however sincerely held his views.

Therein lies the paradox of sporting achievement. The same pride that causes Clough to give needless offence is the quality that kept him going through the disappointments of a wrecked playing career, the departure at Derby and the

short stay at Leeds.

And Clough was undoubtedly in the top drawer of managers. Not only did he win the Championship with two different clubs, but Forest retained the European Cup - both extremely rare achievements. Not only was this done with a slick passing and entertaining style and an excellent disciplinary record, but it was done at clubs with modest resources. Alex Ferguson, with all his Manchester United

internationals, is struggling to qualify for the last stages of the European Cup.

How did Clough do it? Readers hoping for the magic tips to managerial success will be disappointed. Clough insists he kept it simple - defenders had to tackle, and centre forwards had to score.

Apart from that, his main secret was to keep the players relaxed and to insist on training with the ball, rather than mindless round-the-field runs.

By the end of his career, that admirable precept had become a weakness, as Forest players failed to match the fitness of their opponents.

But maybe simplicity was the secret. Sport is too often over-intellectualised. An iron will, allied to a few basic principles took Clough to the top. It did not, as his autobiography reveals, make him a saint.

■ Clough, *The Autobiography* by Brian Clough with John Sadler. Partridge Press, £16.99p.

News of England's exploits at the start of their Australian tour made me so homesick for international cricket that when I passed a small exhibition of sporting art the other day, I went in to look at the pictures of cricket.

They are in the right spirit for the Ashes struggles. The poster advertising the exhibition is taken from a screen-print of a batsman and a wicket, his bat, front pad and gloves closely aligned as the only hope against the bowling. When you look at the picture, you are looking down the wicket at him. The picture is called *The Gladiator*, and that is how the artist, Andrew Aarons, sees every modern cricketer - "a hero, a gladiator, going out and conquering".

Trying to conquer, at any rate. Long spells of defeat make the contest, such as England's cricket and cricket fans were experiencing until last summer, grim as well as life-threatening.

In the winter of 1992-93, England lost all four tests against India and Sri Lanka, before going on to lose their third successive Ashes series the next summer. When Mike Atherton took over the captaincy from Graham Gooch, and won the 1994 Oval Test, too late to save the series, it was England's first Test victory in 19 Tests against Australia.

As any English cricket fan knows, watching a losing team is hard work. And so is playing in one, with the constant expectation of more failures to come as well as those already accumulated. In the unlikely event of a triumph, such as Graham Gooch's courageous 66 and 133 against Australia at Old Trafford in 1993, it is a solo triumph, bereft of team support. When Gooch performed those heroics, only one of England's other first six scored as many as 30.

No wonder Aarons speaks in fighting language of those who watch sport. "They are participating in the contest; they are out there for the kill and the blood."

Spectators in Aarons' pictures watch their heroes keenly, fiercely, aggressively. With crowd uniforms differentiated from each other only by brightly coloured ties, they urge fearful batsmen or battered bowlers to keep fighting.

It is interesting that Aarons sees cricketers, boxers, sumo wrestlers, tennis players and jockeys as the great champions

## Cricket Gladiators captured by the artist

Teresa McLean visits an exhibition



Aarons' *The Gladiator*

of modern sport. They give their followers an individual truth. Aarons paints rugby scrums, with a corporate muscularity in numbers, but he rarely paints cricket teams, nearly always individual crick-

eters. He is an artist, not a coach, and is free to hold team spirit in artistic contempt. It was no surprise that he picked Ian Botham as the supreme gladiator of contemporary cricket. He does not

paint Botham, or anyone else, as an identifiable player, but as an embodiment of cricketing power. He seems not to have acknowledged Botham's retirement. "He's got this incredible personality. You know, when you're at Lords and he's walking to the middle, this tiny little dot, and he's radiating power."

Bowlers pile on the pressure, but batsmen are the ones who have to survive. Aarons told me how he learnt this from experience. He went to Camberwell Art School when only 13 years old and in his first summer went on a school outing to the Isle of Wight. The man who ran the youth hostel where they stayed was a cricket fanatic and challenged the art school to a game.

Camberwell was the home of one of the first fine cricket artists, Nicholas Wanstoch, nicknamed Felix. Felix painted many an early 19th century cricket portrait and invented the awesome Catapulta bowling machine to teach school-boys how to bat. The art school had a tradition to uphold.

Aarons saved Camberwell's honour by turning, nicking and snicking the Isle's fast bowlers for at least 40 runs, far more than anyone else on his losing side. From that day he was a cricket addict.

His wicketkeeper, guarding the entrance to the exhibition with huge, gloved hands, is drawn in Conte crayon which suits the wicketkeeper's job. Everything is black and white with sudden dashes of grey. No colour needed.

Aarons finds wicketkeepers breathtakingly exciting. I could not agree with him that they stand much closer up to the stumps nowadays. Surely no contemporary keeper would stand up to Alex Beder's fast medium swingers as Geoffrey Evans did in the 1940s. But I know what he means by the special flamboyance of today's wicketkeeping, using television replays to emphasise its spectacular achievements.

Aarons gives us a creative, handmade version of the drama which cricket photographers record. He continues cricket artists' custom of making a good number of etchings and prints, so cricket lovers can afford his art. They are not cheap, but cheaper than paintings. His *Gladiators* screen-print costs £225 plus VAT.

■ A small selection of Aarons' work remains on show at *The Bodilly Galleries, 71 Lensfield Road, Cambridge.* Tel: 0233-565555.

## Rugby / Tom Fort

## Bloodletting and beer

The Rugby Football Union has embarked on a crusade to win hearts and minds or, as the RFU puts it characteristically, to "transmit the rugby union message". This campaign has already achieved one extraordinary feat: that of having a slogan which surpasses in staidness and fatuity anything the political parties managed to dream up for their autumn conferences.

The rallying cry is - hold your breath - "Rugby Union Rules OK". Catchy, eh? In a publication called "Working With The Media", it is presented in the form of a mnemonic. Thus, "R is Rugby" the greatest game in the world. "U is for Unconverted", not tries, but people who do not realise that rugby is the greatest game in the world. "G is for Grass-roots rugby" the greatest game in the world at its lowest level. And so on.

Fort's aide de memoir would have proceeded rather differently. "R is for Roughhouse" if legalised mayhem is to your taste, this is your game. "U is for Ugly" no prejudice here. "G is for GRRRR" the battle cry of front rows preparing to engage. When we come to B in this publication, the extent of

the cop-out becomes clear. "B is Blast Out The Message" that rugby union is the greatest of cetera et cetera. But to 99 per cent of those who play the greatest blab blab, B stands for nothing of the sort. "B is for Beer" the fuel on which rugby runs.

Nowhere does the pamphlet mention the stuff. There are pages of worthy advice on getting youngsters off street corners, blending healthy athletic exercise with the unique bonds of friendship which a team game bestows, and so on. But there is not a squeak about the activity which in any rugby club comes second only to the business on the field - and in a good many takes precedence even over that - namely, tipping your head back and pouring ale down your throat.

The heart of a rugby club is its bar, and its purpose is to slake the mighty thirst of players and supporters.

But the collective mind of the powers at Twickenham has turned to higher ideals. The ethos of white wine and soda appears to prevail, and the air is thick with exciting concepts of marketing, image-enhancement, community links. Muddy boots, jugs of bitter, carthorse props with vast paunches, all

this belongs to the dark ages. Rugby union is becoming clean-living, diet-conscious, media-oriented, self-aware.

The central message in this document is that the game must be "bolstered and promoted". To be fair, much of the advice it contains on how to secure decent media coverage is sound, if rather obvious. But while it is full of tips such as

"The recurrent theme is that immense quantities of beer have been consumed"

this: "Newspapers, radio and television love children. They make good copy", it is conspicuously silent about the other species of story beloved of inquiring hacks.

These are the tales of pillage and destruction, of hotels and bars drunk dry and wrecked, of air hostesses leered at and pinched, of bottoms bared, of loutish pranks, dirty ditties, rampant rowdiness and cash-ness. The recurrent theme is

that immense quantities of beer have been consumed.

Nor does the RFU have anything helpful to say to its press officers about another murky aspect of the greatest game: foul deeds on the pitch. They are urged to titillate sports editors with jolly items about long-serving tea ladies, monoclot Japanese recruits, and photogenic women players.

But are they to be equally forthcoming about the skulduggery and criminal nastiness which reduced last Saturday's local derby to a tribal bloodletting?

The RFU may prefer to pretend that rugby is a game for anyone, of whatever size, sex, colour, creed, age, temperament and taste, who happens to enjoy chasing an oval ball around a playing field.

It is, in fact, a tough, rough, messy, muscular form of war-game, forbiddingly complex in its rules, immensely difficult to play well, with an ineradicably dark side to it. It is for people who have a tough, rough side to them, who enjoy doing out a little punishment and do not mind taking it, who relish getting hot, dirty, bruised and exhausted and who, generally speaking, fancy a pint at the end of it all.

## FT Ski Expedition / Arnie Wilson

## Denver detour

Arnie Wilson and Lucy Dicker are attempting to ski every day of 1994 on a round-the-world trip. With five weeks to go, they are in North America.

There is another Colorado. Off the beaten track, far away from the glitz of Aspen, the might of Vail and the great Ski Summit circus of Breckenridge, Keystone and Copper Mountain, are the folkier old ski hills of which few British skiers have ever heard.

"Most skiers leaving Denver have tunnel vision," says Rob Linde at Eldora, the nearest of the "front range" resorts to the mile-high city.

"They put their foot down on Interstate 70 and head for the Eisenhower Tunnel and the famous resorts on the other side," he explained.

It takes little imagination, perhaps, to turn off and explore resorts such as Eldora, Loveland and Winter Park

which do not have the international clout of Aspen, Vail or Summit County but attract local skiers from Denver. The road to Eldora takes you into another world - through Pickle Gulch and Gold Dust Village into the old gold-mining territory of Black Hawk and Central City.

They still pan for gold here - Vic's Panning Shack is one of many still operating. And if anyone hits pay-dirt, the casinos - Rich Man Gold Mine and Bronco Billy's - or Prospectors Poker Parlor and the Silver Hawk Saloon are handily placed to ensure the spoils are quickly ploughed back into the local community.

Apart from some good, steep

skiing in Moose Glades and Jolly Jug Glades, and some tough runs such as Ambush and Psychopath, Eldora is most famous for being kind to snails.

It has won friends by helping in a study of the rare Rocky Mountain capshell variety, claimed to be among the oldest living creatures on earth. After sending in teams of divers to investigate, the resort started limiting the amount of water taken from Peterson Lake for snow-making in case its demands were reducing the small population.

Winter Park is kind to local pond-life too: the trout population has been protected by building a culvert over a

stream which crosses the slopes. Owned by Denver, Winter Park supplies much of the city's recreational needs in winter and summer. With 113 trails and a vertical drop of more than 3,000ft it is one of the largest ski areas in the US but has little international traffic.

It is also just about the only significant ski area left in the west still served by a ski train. The Rio Grande train leaves Denver's Union Station each Saturday and Sunday at 1.30am for the spectacular 70-mile journey meandering through rocky gorges and almost 40 tunnels to the ski area, leaving again at 4pm sharp.

Loveland claims more terrain than Aspen Mountain, a higher base than Steamboat's summit and more snow than almost any other Colorado resort, yet most skiers roar past it on their way to Summit County and Vail.



## ARTS

## Arts face Budget blues

Antony Thorncroft argues the case for cash-strapped companies

Can the beleaguered wagon train hold out until the cavalry arrives. "No", says Mary Allen, secretary general of the Arts Council. "Yes", says Stephen Dorrell, the heritage minister.

The nation's arts companies are grappling with unprecedented deficits of at least £12m. The National Lottery is coming to their rescue, with the first grants in April. By then it could be too late for some.

The lights are going out in January at the Salisbury Playhouse and the Redgrave at Farnham. The Yvonne Arnaud in Guildford is under threat. The Everyman in Cheltenham has been forced to embark on co-productions with the nearby Bristol Old Vic. The Northcott at Exeter has become a receiving house, not daring to risk its own productions. Regional theatres have collective debts of £4m. Regional orchestras have deficits totalling £1.6m.

Of the flagship companies, the RSC, the National Theatre, the ENO, and the Royal Opera House Covent Garden have combined debts of over £5m and the South Bank Centre is £370,000 in the red.

The trouble is that the arts have cried wolf so many times before that the Treasury, not their most stalwart supporter, is likely to be indifferent to their fate in Tuesday's Budget.

But even if there is nothing but an inflation increase in Stephen Dorrell's paltry budget of around £1b, he still has the power to divide it up, giving more to the arts at the expense of sport, heritage or the British Library. He can, at the very least, restore the £3.2m axed from the Arts Council of England a year ago. This, plus an inflation increase of around £4m, should be enough to keep the shows on the road.

Dennis Marks, director of the ENO, sums up the problem. The ENO is having a good sea-

son, playing to 78 per cent of capacity, way above the 60 per cent of a year ago. "If we get a grant that reflects inflation, in three years time we will have reduced our current deficit of £3.1m to just £1m. If we get the standard grant we are promised our deficit will stay the same: we will be throwing money into a black pit".

The return of the £3.2m, which is what Arts Council chairman Lord Gowrie has modestly put in for, could be enough. It would tide the arts

over a real, but temporary, crisis. For, if London is any indicator, the recession is over. The Big Four, which absorb over 50m of the English Arts Council's £185m budget, are doing rather well. The Royal Opera House is currently hitting 80 per cent of its financial capacity and hopes to knock another £600,000 off its £1.3m deficit while the RSC is matching the 83 per cent houses it achieved last season.

The National Theatre had a bad summer, partly because

one production, *Johnny on the Spot*, proved a box office disaster, but bringing back the money spinning *The Wind in the Willows* should keep any deficit on the year to under £500,000. The South Bank is reporting a sudden uplift in support, with the LPO, its house orchestra, attracting audiences of 83 per cent.

In the regions, however, audiences are staying at home. The enervating financial struggle forces artistic directors to walk a tight rope between imaginative work and commercial fare that might guarantee good box office receipts. But as Covent Garden and the ENO discovered a year or so ago, there is a limited market even for traditional favourites.

Such a safe approach is anathema to the committed modernists, like the 87 playwrights who this week bemoaned, in a newspaper letter, the lack of new plays being produced and sought a nationally ordained quota of new works. In fact the proportion of new plays put on in 1993-94 - just over 3,000 out of 14,613 productions in the 70 theatres aided by subsidy - is roughly the same as a decade ago, but theatre managements dare not risk presenting plays which are likely to lose money.

This is the leap of imagination demanded of Stephen Dorrell. His first comments suggest he judges artistic success by the size of the audience.

This bottom-line approach makes sense if the audiences are attracted by dynamic new productions, but is artistic suicide if companies go for short-term box office salvation. Risk is what the arts are all about. A diet of safe productions - theatres putting on Ayckbourn and Willie Russell, opera houses reaching for Puccini and Mozart - soon becomes stale, the bedrock audience withers and the young are not attracted.

## Help lines for the beleaguered

Fears that next week's Budget will be bad news for the arts have been tempered by anticipation over the National Lottery jackpot. Potential applicants can now apply for the cash - expected to be about £250m annually. The Heritage Fund published its guidelines for applicants last week; the Arts Council announced details to clients yesterday. Telephone 0171 649 1345 to obtain a simple guide for potential heritage projects.

The Lottery Line at the Arts Council can be reached on 0171 312 0123. Both will accept applications after January 4, 1995.

There are few surprises in the guidelines. The Arts Council does not expect to make grants of less than £5,000. Commercial operations can apply, provided the project will benefit the public. But in the main it will be charities, local authorities, schools and colleges and amateur groups that will receive the promised millions.

The money will be spent constructing new, and improving old, buildings in which the arts and crafts can flourish. The determination

not to allow lottery money seep away in day-to-day running costs remains, but grants can be used to buy equipment and to commission works of art. This should enable arts companies currently receiving subsidy to devote more money to programming.

The range of potential applicants covers circus, mime, film, video and crafts, as well as drama and music companies. If more than £100,000 is needed for the scheme the organisation should be able to contribute 25 per cent of the total cost; for smaller projects at least 10 per cent is expected.

The key aim remains "to give the maximum benefit to the public by supporting projects which make an important and lasting difference to the quality of life of people throughout England."

In contrast the Heritage Lottery Fund can offer endowment money in special circumstances and will take a flexible attitude towards partnership funding.

Next week the Millennium Commission will reveal their eagerly awaited guidelines and applicants can then decide which body to go for.



Scene from 'Lovel Valour! Compassion' by Terrence McNally, the first big hit of the season playing in the non-profit making Manhattan Theatre Club

## Drama on off-Broadway

Karen Fricker reports on the changing face of New York theatre

Might this be the year that the Tony Awards will be finally forced to change? Though it has been true for years that the centre of the American theatre has shifted off-Broadway and to the regions, the Tonys, the annual awards that are the most visible manifestation of American theatre, have maintained their policy of honouring only Broadway shows. But recent events have sounded Broadway's death knell louder than ever before.

First was playwright Neil Simon's announcement that he is bringing his next play, *London Suite*, to an off-Broadway theatre when it reaches New York after its current Seattle engagement. "It's just not economically viable for us to go to Broadway any more," said Simon of his decision; bringing a straight play to Broadway costs a minimum of \$1.5m, as opposed to \$0.5m off-Broadway. This is a scathing indictment indeed from the only American playwright whose name still guarantees a certain level of financial success on Broadway.

A further blow was struck with this week's announcement that Tony Kushner's *Angels in America*, the most lauded and hyped Broadway play of the past decade, is to close on December 4, felled by dwindling audiences and high overhead costs, having recouped less than 70 per cent of its backers' investment. Meanwhile, the best-reviewed American play since *Angels*, Edward Albee's *Three Tall Women*, continues its healthy run at the Promenade Theatre - off-Broadway. Only one new American play is set to open this year on Broadway, while off and off-off Broadway is buzzing during the busiest theatrical autumn in recent memory.

The first big hit of the season is Terrence McNally's warm and very funny serio-comedy *Lovel Valour! Compassion*, which is playing at the non-profit making Manhattan Theatre Club through January 15, with plans for a commercial transfer.

Unabashedly gay in its milieu and viewpoint, and addressing as it does the search for love and the ever-presence of death in the age of AIDS, the play inevitably begs comparison to *Angels in America*, but *Lovel Valour! Compassion* neither aspires to nor achieves *Angels*' scope nor its level of socio-political commentary. McNally's gift is his ability to create believable characters and evocative situations in which exhibit their foibles and strengths; he also writes some of the best laughs lines.

This play finds McNally straying further from the traditional domestic comedy form than he has in recent years - characters break from the action to speak directly to the audience, and time flows freely between flashback and forward action.

The play follows the events in the lives of eight gay men over three holiday weekends in an upstate New York country house. As the house's owner, famous choreographer Gregory Mitchell, endures and overcomes creative block, his angelic, blind boyfriend fends off the advances of a sexy Puerto Rican dancer and tries to find sense in his sister's tragic death. The 14-year perfect-couple relationship of Perry and Arthur endures quiet crisis ("we're role models," explains Perry, "it's very stressful"), while Buzz, a musical theatre-obsessed, HIV-positive costume designer falls in love with James, an AIDS-infected Brit who comes to America to mend

bridges with his mean-spirited twin brother (both twins are played, in a bravura turn, by John Glover) and to die.

But to dwell on plot is to miss the point. The play is at its weakest when it gets hung up on storytelling and at its best at evoking that languid holiday atmosphere in which nothing much seems to be happening, except moments that the characters will remember for the rest of their lives: bantering exchanges in hammocks and on lakeside rafts; spontaneous skinny dips (frontal nudity is rampant in this play as is, for that matter, ribald language); dinner parties that unexpectedly turn ugly; over-competitive tennis games; charged late-night encounters.

Joe Mantello's lovely, intelligent production meets the play more than halfway, playing up its lyrical qualities without stunting on pace. Mantello and set designer Loy Arcenas have wisely given the production a unstructured, non-literal design, creating a heightened world in which the play's breaks from naturalism make perfect sense.

The ensemble is, on the whole, first-rate. Stephen Spinella, in his first performance since his double Tony-Award winning turn in *Angels in America*, is admirably restrained as the uptight businessman Perry. Nathan Lane, one of America's funniest actors, reveals the breadth of his dramatic talent in the showman's role of Buzz; his transformation of a third-act speech about why life should be more like musical theatre from a show-off rant to an agonised cry beautifully captures the play's funny-tragic spirit. Stephen Bogardus, sporting an unconvincing stutter and an uncomfortable manner as Gregory, is the only weak link.

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## Creamy notes from Vienna

The Vienna Philharmonic's visit on Wednesday invited comparison with the splendid Bavarian Radio Symphony Orchestra at the Barbican two days earlier. But comparison would have been easier if both orchestras had played in the small hall. Whereas the Bavarians' resounding, vastly spacious account of Bruckner's Eighth Symphony under Lorin Maazel had room to breathe, the analytical dryness of the South Bank did little to flatter those famous Viennese strings.

Still, they came out of it pretty well, and gave us a real helping of whipped cream in the Brahms Hungarian Dance which they played as their second encore.

Originally, Giulini had been billed to conduct, but he had cancelled some time ago, and James Levine made something

very different of Schubert's Unfinished Symphony and Brahms's Fourth. But the kind of performances we might have expected to hear from Giulini. Levine kept the Schubert on the move - quite rightly so, for the Symphony is often taken too slowly, with both movements too close in tempo and too much alike in character.

Levine himself stayed unusually still, his baton travelled merely a few inches except when he wanted to rouse the orchestra. His overall view was serene, and though the playing was lovely, it was well on the way to being bland. You got the feeling the orchestra could have played as well on automatic pilot, for they certainly play as an ensemble.

Brahms's Fourth Symphony was given a lot more impulse - as well it should. The first

movement took on such momentum, it seemed likely to run away with itself. But it did not, and the closing moments were thrilling: rather too thrilling for the impact of the work as a whole, for the great cumulative structure of the variations in the finale lacked a certain tension, despite many beautiful moments, including a gorgeously rounded flute solo.

One of the individual features of the Vienna Philharmonic is the elegantly burnished sound of their horns: they played like a dream in the trio section of the scherzo, whose rumbustious outer sections were much more refined than usual. As a whole, the performances seemed too suave to be heroic.

Sometimes the best of a concert comes once the official programme is over, and so it was here. For the first encore, the orchestra teased and panned the final ballet of Schubert's music for Rosamunde as

if it were their favourite child. The tiny gradations of pianissimo on the strings, the mellow blend of the woodwind, the gently pointed phrasing - this is why we have come to hear the Vienna Philharmonic.

Adrian Jack

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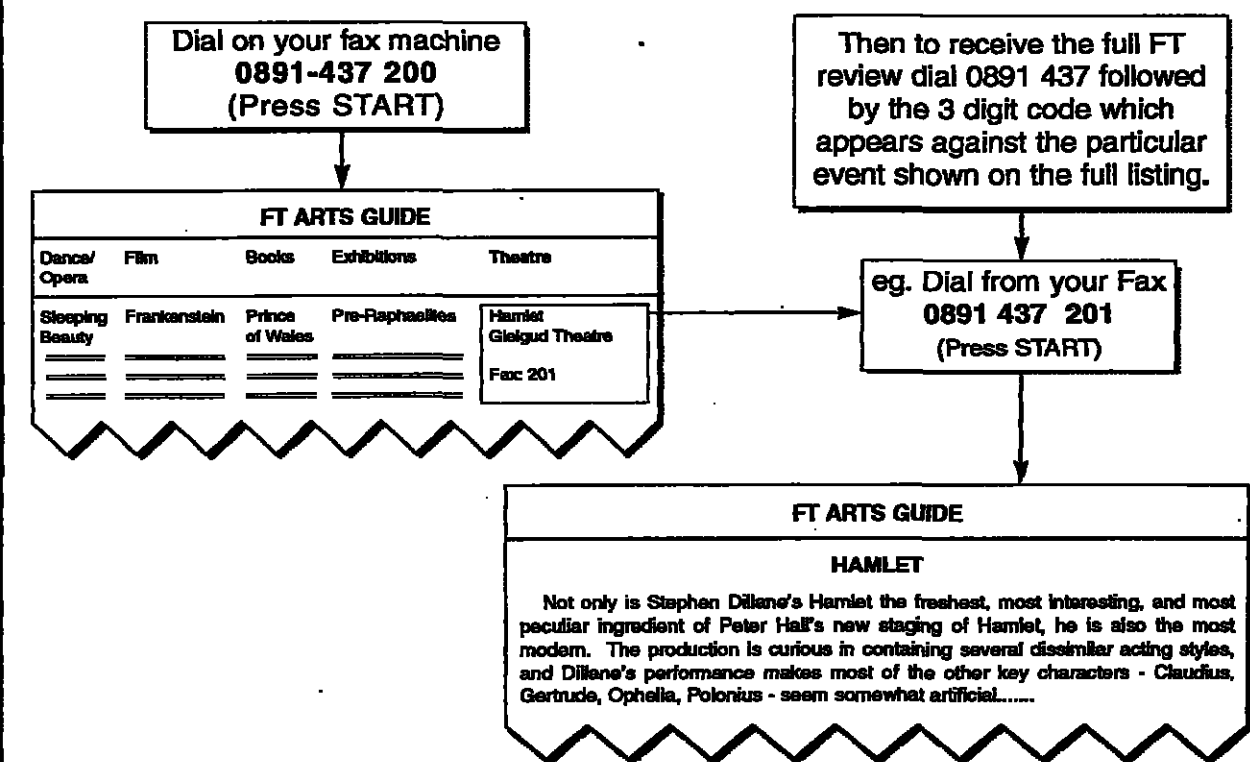
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## BOOKS

# Lenin: true father of The Terror

Recently declassified Soviet archives are revealing Russia's hero in a new light, writes Christian Tyler

Embalmed and canonised, Lenin was removed from the vulgar gaze for half a century following his premature death and rapid apotheosis. His mummified body lay in a sarcophagus in Red Square tended by a laboratory which grew to employ 60 experts, among them three soviet academicians, a corresponding member of the academy of sciences, three doctors of science and 12 PhDs.

His brain was sliced into 30,963 sections and lodged in a special institute where it was compared with the lobes of lesser geniuses. Although horribly withered by the cerebral disease which killed him at the age of 53, this organ was periodically reported to have quite exceptional features - until, that is, Dr Oleg Adrianov pronounced in January: "In the anatomical structure of Lenin's brain there is nothing sensational."

Lenin was sensational in one

way, however, says Dmitri Volkogonov. He was the greatest revolutionary of the century. For the rest, he was as fallible as any man - though much more callous. Unable to govern once he had grabbed power, he sought refuge in violence. He was the true father of The Terror.

For 25 years after Nikita Khrushchev had denounced Stalin's "mistakes", says Volkogonov, the Russian people asked themselves where Stalin had acquired his cruelty. "None of us - the present author included - could begin to imagine that the father of domestic Russian terrorism, merciless and totalitarian, was Lenin."

This biography comes with two

attributes which recommend it over other, perhaps more literary, portraits. One is the elegance of Harold Shukman's English translation. The other is the remarkable personal history of the author.

Dmitri Volkogonov, a military historian, was once a loyal slave of the system whose roots he now seeks to dig up. His father was executed on Stalin's orders and he grew up with his mother in a political exile labour camp in Krasnoyarsk, western Siberia. He was a young tank commander, a high-ranking commissar and propaganda expert. As he told this reviewer when his biography of Stalin appeared in English: "I accept that I was one of those who

did a lot to strengthen the totalitarian system."

A former general in the Red Army and subsequently President Yeltsin's military adviser, he commanded the forces that shelled the

**LENIN: LIFE AND LEGACY**  
by Dmitri Volkogonov  
HarperCollins £25, 358 pages

recalcitrants in the Moscow parliament building last October. Above all, he was chairman of the commission responsible for declassifying the Soviet state. Communist Party and KGB archives.

In the painful process of his own recantation, says Volkogonov,

Leninism was the last mental bastion to fall. In the book he presents Vladimir Ulyanov as a gently-reared professional revolutionary with a compelling mind and wolfish eyes, neither vain nor personally cruel but driven by promiscuous and ruthless rage against his real or imagined enemies.

He stripped the liberal and democratic content out of Marxism and swore allegiance to the fanatic principle that everything is justified - treason, civil war, terror - in pursuit of the goal.

Lenin was an intellectual who read Aristotle and Spinoza and who described intellectuals as the "shit" of the nation. He seethed with hatred for the kulaks but, says his

biographer, would have been among the first to be purged if he had not sold the family estate.

Among the facts that lay hidden in the archive were details of his ancestry (Jewish, Asiatic and European as well as Russian), of the German financial support for his Bolshevik party, of his nervous disorder and final mental illness, of his direct responsibility for the murder of the Tsar and his family.

Nor, argues Volkogonov, did Lenin ever espouse a more liberal economic system. "War communism" was his chosen method and the so-called New Economic Policy merely a temporary stratagem forced on him by circumstances. "It is the biggest mistake to think that

NEP will put an end to the terror," he wrote to Kamenev in 1922. "We shall return to the terror and to economic terror."

Volkogonov makes lavish use of the files to sustain his thesis that Lenin's ideas - his habits of mind, rather - characterised Soviet "paratrophy" until the very end. By way of illustration he quotes from a 1987 politburo meeting where we hear Gorbachev speaking of Lenin's genius, Ligachev worrying about Trotskyism and Shavardnadze unhappy with the phrase "liquidating the kulaks".

The October Revolution of 1917 was in fact a counter-revolutionary coup, according to Volkogonov. It created a political culture that still permeates the Russian citizenry. "In worshipping the 'genius of abuse' we cultivated a slavish psychology in ourselves."

The icon may have been smashed, but worship is more powerful than knowledge.

## Victorian who designed himself

Asa Briggs admires a new biography of William Morris, artist and socialist extraordinaire

No Victorian, eminent or otherwise, was more critical of his own age than William Morris, who was born three years before Victoria came to the throne and died five years before her. "Apart from the desire to produce beautiful things," he wrote in a memorable passage in 1894, "the leading passion of my life has been and is hatred of modern civilization."

Yet for all his discontent and for all his protest, he belongs unmistakably to the 19th century - even when he compares it unfavourably with the 13th, or strides into the future. He proves that the Victorians were their own best critics - both when they examined Victorian achievements and when they probed Victorian values. In his energy, which faltered only at the last, and in his amazingly wide range of achievement Morris was characteristically Victorian. The manifold things that he made belong to that century also.

The first biography of him, by J.W. Mackail, appeared before the century and the reign was over. Since then there have been many other biographies and many detailed and scholarly studies of Morris's contributions to the making of embroidery, tapestry, stained glass, wallpaper textile dyeing, printing and weaving, illumination, calligraphy and book production. And there has been a devoted, sometimes uncritical, interest, frequently on the part of two separate groups of admirers, in his political views and actions, and in his conceptions of design.

Morris himself, unlike them, saw his life as one piece. It was to a fellow socialist that he wrote in 1883, the year when he declared his new political commitment, that almost all the designs used in his business "I design myself. I have had to learn the theory and to some extent the practice of weaving, dyeing and textile printing: all of which I must

admit has given me and is still giving me a great deal of enjoyment". In the same spirit he approached the theory and practice of socialism. Those of his admirers who failed to take his socialism seriously did not understand him.

Fiona MacCarthy does. Her biography is a work of synthesis, drawing on a wide range of sources, and it concentrates on presenting Morris as a whole man rather than on cataloguing a formidable list of his activities. Mackail tried to do the same, but MacCarthy chooses to examine aspects of Morris's personality that Mackail, writing near to his death, could or would not do.

At the same time, her book

**WILLIAM MORRIS: A LIFE FOR OUR TIME**  
by Fiona MacCarthy  
Faber & Faber £25, 780 pages

is an original interpretation in that it draws on the author's own experience and interests, very different from those of Mackail and another outstanding biographer, E.P. Thompson. Her chapter headings reflect this. They are the names of places, not a sequence of events: Walthamstow, Marlborough, Oxford and, of course, Red Lion Square and Red House, Kelmscott Manor and Kelmscott House, and two countries, Iceland and Norway, the former a country, both on the map and of the mind, which influenced him profoundly.

Given Morris's own sense of place, Fiona MacCarthy's mode of arrangement is entirely appropriate. And the different places she lists do not so much figure in a chronological sequence as in an intricate pattern of desire and of memory. When Morris came to write *News from Nowhere* in 1890 the different strands in the pattern were woven together, and significantly there is as much in it about the place as there is about time.

Happily Fiona MacCarthy

does not offer us a label for Morris to set alongside other biographers' Marxist Morris, Freudian Morris, Jungian Morris, the entrepreneurial Morris or the Morris "who has now been appropriated by the Greens". She does rely on her intuitions, however, as well as research, and as a result deals particularly sensitively with Morris's relationships with Jane and Rossetti and their own relationships with each other. A sense of place necessarily involves a sense of relationships, and what Morris made of "fellowship", which he believed was at the very heart of socialism, was derived not from books or pamphlets but from private relationships.

The priest from a neighbouring parish who officiated at Morris's funeral service at Kelmscott had been with him both at Marlborough and at Exeter College, Oxford. He did not refer to Morris's work for the socialist cause, much of it humdrum and hard, but chose as his text a passage from Corinthians, "unknown, and yet well-known".

In the 20th century Morris, remains "eminent" (he would have hated the adjective), both unknown and well-known, topical, not canonical. In his own century he was a pilgrim of hope, putting his trust, a 19th-century trust, in "how he might live". In society not as it was but in what it might be.

He conceived of fear and hope as the great moving forces in history, and in the style of Corinthians believed that the greater of these was hope. In his poem "Pilgrims of Hope", printed in instalments in 1885, he wrote of "the day that yet shall be". This was the same series in which "The Message of the March Wind" was written. Morris felt that he was no longer "the riddle singer of an empty day". He was an activist proclaiming a message that he believed would change history just as much as it had changed himself.



A Bedouin businessman runs his tour company from the Judean Desert: one of 200 photographs recording "A Day in the Life of Israel" (Collins £20, 224 pages). By chance the day selected, May 5 1994, proved to be the first day of official peace between the State of Israel and the Palestine Liberation Organisation.

## Empire on fast-forward

According to the ABC For Baby Patriots of 1899, "C is for Colonies". Rightly we boast. That of all the great nations, Great Britain has the most: the infant who absorbed this in his nursery would soon graduate to the toy lead soldiers which became a craze after 1890.

But Lawrence James understands that there was another point to colonialism beyond and behind military conquest in Charles Dickens' words, "The earth was made for Dombey and Son to trade in..."

The British Empire was one of the fundamentals of the modern age and we, in our post-imperial decline, may still not be in the mood to acknowledge or understand its significance to our own society, let alone to the wider world. James here tackles a colossal - impossible - task with an ambition betrayed in his Gibbon-esque title, *The Rise and Fall of the British Empire*. He has bitten off more than he (or you and I) can chew.

We are conducted, briskly, from the Elizabethan sea-dogs to Rhodesia's UDI and our imminent evacuation of Hong Kong. Out of these 400 years, it is true that the latter half of the book is given to this present century, but again and again the reader implores James - who has the style of the fluent and excellent history master which I suspect he used to be - to slow down, take his time and develop just a few of his points. Or perhaps to ditch early Virginia, the Caribbean acquisitions and India and a host of other, no doubt fascinating topics, and focus on the decline of the Empire, which is the more interesting bit. Or, best of all, to write two - three? - books.

Everything is here, and that is the problem - the imperial drive of the Cromwellian years; the gunboat diplomacy of Palmerston's "unofficial empire"; the New Imperialism of the European powers just a century ago; Gladstone's campaign against "Beaconsfieldism"; the 1890s scramble for China; the constant and supreme importance of India, both economically and mili-

tarily; the Empire's vital contribution to the first world war; the stagnation, snobbery and racism of the years between the wars; the emergence of America to take over the defence of the British Empire; the optimism of the handover to Commonwealth.

It must be evident that the canvas is impossibly wide. I've often James makes a stimulating point (for instance, that by 1942 the US had become Europe's banker and armourer just like Britain in the Napoleonic wars; that victory in the pre-1914 naval race between England and Germany would go to the economically stronger, as in the recent US-Soviet Star Wars) and cannot allow himself to develop it. Sometimes he misfires: the Cold War is not helpfully compared

**THE RISE AND FALL OF THE BRITISH EMPIRE**  
by Lawrence James  
Little, Brown £25, 704 pages

with the Great Game over India, for example; and Mountbatten's promotion was not the result of Churchill's search for another T.E. Lawrence. The more important criticism is that Britain's imperial decline demands a more sustained analysis than the fleeting references we get here to the difficulties of becoming a "second fiddle".

*The Rise and Fall of the British Empire* justifies a (thick) space on your shelves not for any revelatory brilliance or literary elegance so much as for its value as a quick *aide-memoire*: if you have temporarily forgotten the essence of the Corn Laws debate, or the occasion for the Crimean War, or the role of aerial bombing in the Sudan in the 1890s, then here is a valuable reference point. Beyond that, the reasonably well-informed reader will feel rather as you do after dipping into an American news magazine: it is all perfectly convincing until you come to a subject which you know about - and then it, and therefore the rest, really will not do.

J.D.F. Jones

## Final drop for the scaffold

Jeremy Black on the history behind the abolition of public execution

This is a powerful, committed and well-written book with a problematic theme. Gatrell drives home the horrors of hanging and then seeks to explain the process by which hanging from the 1830s was confined to murderers and from 1868 was no longer carried out in public.

This is not seen as a triumph for humane sensibility or reform, both of which are presented as having serious limits, but rather as a shift in the balance of terror by which control was imposed. For Gatrell, "the abolition of public execution spoke for anxiety, not complacency".

The poor, still voiceless after the 1867 reform act, excited the concern, even fear, of the elite, and hidden executions were seen as a more effective form of control. The elite was also concerned both about the responses of scaffold crowds, and about the extent to which public executions allowed both criminal and crowd to deride or criticise the nature of justice.

Gatrell claims that the abolition of public punishment undercut those who pressed for total abolition and greatly delayed their cause. For Gatrell "the state's retributive power continued to override imaginative compassion, and the horror continued behind prison walls for a century yet".

There is no doubt of where Gatrell's sympathies lie: of the judges, "one or two like Dudley Ryder (Chief Justice of King's

Bench) went fashionably" as they sent young women to the gallows and subsequent dissection. After nudging a reluctant jury in 1754 to convict a possibly insane young woman of infanticide and then, "very well satisfied", condemning

her to the noose and the anatomist, Ryder made a speech which "so affected" him, he told his diary, "that the tears were gushing out".

Sir John Silvester, Recorder of London 1803-22, propositioned women who sought mercy for their relatives. There is an excellent discussion of the handling of appeals by the Home Secretary. Peel emerges as a determined hanger, who eased and encouraged prosecutions. He believed that society could

survive in turbulent times only if secular authority was resolutely defended.

The case is strongly argued. This is not the law as a consensual system for eliciting support for the norms of authority, but a cruel, callous, calculating and vicious denial of justice.

Many will find this a convincing analysis, but doubts can be expressed. Without making any reference to the modern debate on capital punishment, it can be argued that Gatrell displays all too little sympathy both for the victims of murder and for the problems created by social change. There was major change in the 19th century, necessarily as both cause and consequence of a society with a mass electorate, universal education, and widespread urbanisation and industrialisation. These brought social dislocation, instability and fears.

Reference and traditional social patterns, never as fixed as some thought, ebbed, and the new and newly expanded cities and towns

created new living environments in which the role and rule of the old world were far less significant. These problems clearly do not excite Gatrell's sympathetic attention; indeed his essential outsider's approach, which provides much of the passion of the book, is also one of his limitations. The views of the scaffold crowd are analysed, but there is insufficient attention to legal and governmental policies and strategies.

Cruelty again is a complex issue. A society that was willing to send its men to kill and be killed across the face of the globe, that in 1878 applauded the "Great Macdermott" as his music-hall song launched jingoism, may have had a different emphasis than Gatrell suggests.

He is understandably repelled by the practice and details of 19th-century executions, but to this reviewer much of his fascinating book was more redolent of the 1990s than of the Victorian era. The discussion of the manner in which many sought to disguise the reality of what was going on is compelling as is the brutality of many of the case studies, but it is far from clear that most of the population had any real sympathy with murderers or regretted their fate. Yet, this is a continually interesting book, by the standards of modern scholarly publishing excellent value for money, and a study that ably bridges modern and historical concerns.

Jeremy Black is a Professor of History at the University of Durham.

## Passion with artifice

Douglas Dunn discusses Ovid's challenge to modern poets

Few books amount to a "myth kiddy" (Larkin's famous abhorrence) as convincingly as Ovid's *Metamorphoses*. Stories like those of Venus and Adonis, Pyramus and Thisbe, Baucis and Philemon, and Orpheus and Eurydice - paired off like names on ancient windcreens - are close to the heart of European culture. Painting, sculpture, opera, drama, poetry - what would they have done without Ovid's telling of these tales?

Improved no end, Larkin might have said. Can you imagine him, or Amis, getting stuck in to Ovid? It shows how poetry has changed. No one today, I think, would claim that Ovidian meaning and mastery are as important to us as they were to Shakespeare, or Ovid's great Elizabethan translator, Golding. The affection, belief, technique, and sheer energy responsible for a work like Golding's can be found singly but not all together. The you-do-this-but-I'll-do-that procedure of *After Ovid* seems predictably of our time, as does A.D. Melville's worthy but regressive blank verse effort in translating the whole poem a few years ago. This is some of the whole poem gone over by many hands, some of them short on latinity.

Ovid is an amazingly resourceful and tireless poet. In showing how these 43 poems rise to the challenge the book offers a fascinating sampler of contemporary styles and local solutions. Ted Hughes, for example, who contributes more to the book than anyone else, uses a choice free verse in his version of Ovid's account of Creation. In "Venus and Adonis" he employs unrhymed stanzas, mainly of three and five lines. Readers of Hughes's

**AFTER OVID: NEW METAMORPHOSES**  
edited by Michael Hofmann and James Lasdun  
Faber & Faber £14.99, 320 pages

book on Shakespeare will know how important this story is to his interpretation of the plays and poems. It is apt that the most like Golding's can be found singly but not all together. The you-do-this-but-I'll-do-that procedure of *After Ovid* seems predictably of our time, as does A.D. Melville's worthy but regressive blank verse effort in translating the whole poem a few years ago. This is some of the whole poem gone over by many hands, some of them short on latinity.

closer to what readers expect of Heaney than John Dryden. Still, it is not quite sparky enough for Ovid. Quicker tetrameter couplets, from Derek Mahon ("Pygmalion and Galatea") seem a touch more Ovidian, as do Paul Muldoon's lines of different lengths, also rhyming in couplets. The New York poet, Kenneth Koch, goes for broke: Look at this lovely river maid, who bears the name of Iol! Her youthful beauty caused in Jove such ache that "Me, oh! my, oh!" He cried, "She must be mine!"

Peter Reading and some others are more classically astute, in Reading's case with the sound of dactyls - an echo of Ovid himself. Some of the poets seize a lyrical moment or passage rather than a longer haul of narrative. In "Mrs Midas", Carol Ann Duffy is as inventive as Ovid in whose *Metamorphoses* Midas's queen does not appear. But Ovid, the poet of transformations, of one form changing into another, sanctions just about any poetic liberty you care to name. His great poem is a wonder-book of passion as well as a goldmine of artifice. Engaging with the *Metamorphoses* has led some of the best poets now writing to sprightly and delightful responses.

Its winters are like perfect English summers. ✱ Its short breaks are ideal for Christmas and New Year.



BOOKS

# What Popper never said

A.C.Grayling assesses a misunderstood philosopher

It was characteristic of Karl Popper that when he died two months ago he had just finished another two books. With his death the last of this century's great British philosophical triumvirate - Russell, Wittgenstein and Popper himself - passed away. Comparison drawers like to say that he was, by quite a margin, less clever than Russell and less imaginative than Wittgenstein. Yet of the three he is easily the most influential outside academic circles. That influence extends in two important directions: science and politics.

Surprisingly, many scientists claim that Popper's views benefited their work. An outstanding example is Sir John Eccles, the Nobel-winning physiologist who later collaborated with Popper on a book about the mind-brain link. Like other scientists, he points to Popper's account of scientific method, the famous doctrine of "falsificationism", as his inspiration. Popper was an intellectually robust and confident thinker. The reasons lie partly in his origins. He was born into a wealthy and cultured Viennese family. He was a distant relative of Freud and in early adult life friendly with, although not a member of, the famous Vienna Circle of philosophers. He left Austria because of Nazism and lived, first in New Zealand and then, for the rest of his long life, in England, where he taught at the London School of Economics. He died aged 82.

Success came late, in his forties; but once it had arrived he was fêted everywhere. Popper was indefatigable. In his last months he was busy preparing these two books for the press. One of them continues his lifelong dedication to defending science and rational criticism as "a way of thinking and living". In it he gives a statement of his "confession of faith... in peace, in humanity, in tolerance, in modesty, in trying to learn from one's own mistakes; and in the possibilities of critical discussion." The second book consists of lectures defending the highly un fashionable "qualitative" view that mind and body are separate but interacting entities. Both books are characteristically Popperian: argumentative, opinionated, conciliatory, emphatic, outdated, up-to-date, interesting, and full both of

holes and very bright ideas. One might not agree with everything in Popper, but he always makes stimulating reading.

The judgments about Popper of both scientists and right-wingers - many of whom lay claim to him because of his attack on Marxism and his defence of "the open society" - are mistaken. Popper did not succeed in formulating a watertight account of scientific method, and he did not hold or promote right-wing views. But it is easy to see why people thought he had done both: he was tireless in explaining his ideas to a wide public, rightly refusing to confine himself to the academic world.

But his wider audience has not heard the careful response of academia to his views, and therefore knows only one side of the story.

**THE MYTH OF THE FRAMEWORK**  
by Karl R. Popper  
Routledge £25, 229 pages

**KNOWLEDGE AND THE MIND-BODY PROBLEM**  
by Karl R. Popper  
Routledge £20, 158 pages

Popper's theories about science are based on a strikingly simple insight. Scientific investigation, he noted, was thought to go as follows: an hypothesis is formulated, and predictions are made about what, if the hypothesis is true, should happen when experiments are conducted.

The hypothesis is confirmed if the results are as predicted: the greater the number of positive results, the more securely it is confirmed. But Popper saw that a single negative result can overthrow an hypothesis. Any number of positive results might accumulate in its support while it yet remains vulnerable to a counter-instance. A hypothesis therefore cannot be proved, he argued; the best we can ever say is that it is "acceptable so far", but that someone may sometime come up with a single piece of evidence that disproves it.

Science accordingly progresses by "conjecture and refutation". Popper believed his falsificationist theory achieved two things at the same time. First, it provided a test of what counts as a genuinely scientific hypothesis. Second, it solved the thorny old "problem of induction". An example of inductive reasoning is: "Every swan I have seen is white, so all swans must be white." The problem is: how can one be sure?

On the first question, Popper said that if an hypothesis cannot be proved wrong, it is not only unscientific, but worthless: "a theory which explains everything explains nothing". Astrology, psychoanalysis and religion all fall into this category, because none of them states what evidence would prove its claims to be false. If astrology, for example, can accommodate any proffered counter-example it is untestable and therefore vacuous. Thus Popper's falsification criterion distinguishes between genuine enquiry and nonsense.

Marxism is a different matter. It claims to be scientific, and it makes specific and therefore testable predictions. The problem with Marxism is that it has failed these tests: history has shown it to be false. Yet despite this, Popper points out, its adherents continue to believe it.

Popper argued that science does not, as philosophers used to believe, consist in the process of supporting a general proposition by accumulating instances. Such inferences are notoriously untestable, and there are no watertight means of justifying them. The old view of scientific procedure, confirming hypotheses by positive tests, portrays science as inductive.

Popper's claim, by contrast, is that science is deductive. Inductive inference would be all right if we could rely on the "principle of the uniformity of nature", which states that the world works in regular and patterned ways. Such a principle would allow us to predict that the future will resemble the past. But the principle can itself only be justified inductively ("past futures resembled past futures"). We cannot be sure that this will always be the case.

Popper therefore wished to reject induction. Unfortunately, his view covertly appeals to the principle of nature's uniformity also, for counter-instances can be taken to refute hypotheses only if we can be sure that the world will not change tomorrow in a way that makes the hypotheses suddenly true, thus falsifying the counter-instances themselves.

It might seem obvious that a piece of evidence which disproves an hypothesis may be used in exactly the same way to support the opposite hypothesis, namely the original proposition was false; but in the latter case the evidence is obviously being employed in the way Popper contests, that is, inductively.



Snow lined trees in Yosemite National Park, California: one of John Sexton's haunting photographs reproduced in *Listen to the Trees* (Bulfinch Press/Little, Brown \$45, 91 pages). Sexton is a master printmaker, lecturer and former photographic assistant to Ansel Adams. Stewart I. Udall, the conservationist and former US secretary of the interior, has written "A celebration of trees", the book's introduction.

There are many other difficulties with Popper's views. He did not manage to state convincing theses about truth and the nature of reality; he refused to investigate how scientific hypotheses come to be formulated in the first place; and he did not provide an account of scientific reasoning which makes use of models and analogies, investigative tools much discussed by other philosophers of science.

Popper's politics have fared better at the hands of his critics. It is clear that those who claim him for the Right have not read his work. He used to say that he would call himself a socialist if socialism would seriously commit itself to individual liberty.

For Popper, the "open society" is one in which rational discussion leads to fair, decent, open and consensual political arrangements and in which

quiet assessment of the facts informs every decision. His *Open Society and Its Enemies* not only attacked Marx, it also attacked Plato. The authoritarian state of Plato's *Republic*, ruled by an oligarchy, relying on slavery, practising eugenics, disenfranchising women and most classes, has had its closest expression in recent Fascist dictatorships. Popper attacked excesses on both the left and right.

## Pre-war village fantasy

Edward Upward, alert and active at the age of 91, was in London recently. He and his wife attended a reception at the British Library given to honour the publication of these three books. The library has an Upward archive from which a selection of manuscripts was on show. These included the Mortmere stories begun by Upward and his friend Christopher Isherwood when they were Cambridge undergraduates in the 1920s.

In his autobiographical *Lions and Shadows*, Isherwood described how they invented the sleepy English village of Mortmere, peopled with eccentric local characters whose activities were chronicled in a style that was a cross between Conan Doyle and surrealist fantasy. Mortmere summed up the charming, well-bred complacency and eccentricity of pre-war England. Up to now the tales were considered too private to be published, but at

**THE MORTMERE STORIES**  
by Christopher Isherwood and Edward Upward  
Enitharmon £7.99, 206 pages

**AN UNMENTIONABLE MAN**  
by Edward Upward  
Enitharmon £5.99, 102 pages

**JOURNEY TO THE BORDER**  
by Edward Upward  
Enitharmon £5.99, 135 pages

last curiosity has been satisfied and we have the texts of the surviving manuscripts, edited by Katherine Bucknall. The bulk of them are by Isherwood. The humour is often lavatorial, but the writing is brilliantly readable in the hilarious manner of the young pre-Buddhist, pre-Californian I-Am-a-Camera Christopher.

After Cambridge, Upward became a schoolmaster and a member of the British Communist Party, from which he resigned in 1948. He was housemaster and head of English at Allington School, Dulwich, from 1931 to 1961. After retirement he went to live on the Isle of Wight where he resumed his earlier career of novelist.

His first book, *Journey to the Border*, was published by the Woolfs in 1938. It now appears in a revised edition. A tutor goes with his pupil and employer to a race meeting at a Mortmere-ish country town. While entering a crowded marquee he has a vision of the future. More than half a century has done nothing to diminish the work's sense of foreboding. Gentlemenly tweed-suited English racers become a gathering of militant fascists. A long speech by an apologist for obeying natural instinct parodies Auden's early guru, Homer Lane. Much of it seems as relevant now as then.

Upward's major work, *The Spiral Ascent*, a trilogy written over two decades and published in one volume in 1977, describes the fortunes of a poet and schoolmaster who is a committed Marxist. It is a vision of intellectual life from Upward's left-wing stance that is both calmly detached and highly personal; so too is the sequence of stories now published for the first time in *An Unmentionable Man*.

The man is an elderly English writer whose name is never mentioned because he believes we are witnessing the death-throes of capitalist society. He has been mugged, and while his wife awaits his return to consciousness he has nightmares described with marvellous clarity in which his credo comes under attack. As a writer of English prose Upward belongs to the school of Swift and Orwell. Now that I have read again these remarkable books I feel that Upward's work is going to be mentioned more and more frequently by discerning judges of 20th century literature in the years to come.

Anthony Curtis

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## Charismatic wordsmith

Jackie Wullschlager probes beyond the poet's pyrotechnics

He is the famous poet who never used capital letters. In England, we know a few sexy verses by "e e cummings" ("May I feel, said he, I'll squeal, said she," because they stand out as eccentric in anthologies of love poems. In America, by contrast, Cummings is a literary giant. When he died in 1962, he was the most widely-read poet after Robert Frost; today he is seen with Eliot and Pound as the father of modernism.

Was Cummings a genius, the inventor of a new form of expression which spoke for our disordered, fragmented times? Or was he merely a gimmick-maker who tinkered with typography? This beautifully produced volume, published to mark the centenary of his birth last month, collects together all his poems for the first time, and offers a new insight into the man and his work.

Few poets are at once so modest - Cummings always hid behind that lower case anonymous i - and so exuberant and charismatic in their egoism: "Cheri" he says in a 1918 love poem which was not discovered until the 1930s "the, very picturesque, last Day/

(when all the clocks have lost their jobs and god/sits up quickly to judge the Big Sinners) he will have something large and fluffy to say to me". Throughout his life, Cummings pitted himself against god and the devil, US presidents - he called Roosevelt that great pink super mediocrity - big business and the upper class East Coast society into which he was born. His father was a Harvard professor and a close friend of William James; Cummings wrote about the Boston Brahmin Circle as "the Cambridge ladies who live in furnished souls." But he adored his parents and an idyllically happy upbringing gave him both his passionate belief in the individual and the confidence to ignore traditional American expectation of patriotism and conformity. A large body of poems about his childhood when "the world is puddled wonderful," is one of the revelations here.

As a pacifist, Cummings

went to France as an ambulance driver in 1917 and was promptly jailed for ignoring censorship rules in his letters home. After the war he stayed on in Paris, discovered Picasso and Stravinsky, and returned to America a modernist, convinced that the "day of the spoken lyric is past." He began to apply the Cubist methods of break-up and restructuring to poetry.

The pleasure of this fat complete edition is that in making us quickly familiar with such surface pyrotechnics, it gives us the chance to notice the deeper, less showy side of the poet. Despite his protests, Cummings was a bred-in-the-bone lyricist and, in displaying the full range of his love poetry, this volume establishes him as the most erotic English poet since John Donne.

During his Paris days, he became the friend - though not the client - of some prostitutes. He enjoyed using the high sonnet form to describe

**E.E. CUMMINGS: COMPLETE POEMS**  
edited by George J. Firmage  
Norton £35, 1102 pages

bawdy low life. "The dirty colours of her kiss." Then in the 1920s and 30s, Cummings, according to his biographer Richard Kennedy, married in quick succession "three of the most beautiful women in America," including actress and model Marian Moorhouse. Like Donne, Cummings makes sensuality work on the page by a mix of dazzling explicitness and absolute rigour of form. He sees that sex is half in the head, and he is metaphysical ("one not half too. It's two are halves of one") and agonisingly restrained ("O Distinct/lady of my unkempt adoration"). He is also, like Donne, witty and obscene. In the poem "she being Brand/New; and you/know conse-

quently A/little stiff" he describes sex as a run in a new car: "Just as we turn the corner of Divinity/Avenue I touch the accelerator and give/her the juice, good."

Offbeat and experimental, Cummings had the outsider's uncanny feel for the mood of the nation and an appealingly American idiom - upbeat and zany - with which to convey it. The girl/car piece laughed at the American male's obsession with the automobile as early as the 1920s. The lines "what if a much of a which of a wind," with the warning "what if a dawn of a doom of a dream/ bites this universe in two," were written in 1944 the first poem of the Cold War.

Almost every Cummings poem is enormous fun. With his jokes and word games he reflects everyday fears, hopes and madnesses back at us through a distracting cheerful mirror. His gimmicks are part of his genius: this magnificent volume is a tribute to both.



E.E. Cummings: genius or mere gimmick-maker?

Nubia played Professor Longhair and Big Mama Thornton to Egypt's Elvis: who else but Tom Robbins could see the mingling of ancient civilisations in such terms? With his second novel, *Even Cowgirls Get the Blues*, Robbins perfected his technique of audacious prose and cosmic themes, earning himself a place as one of the wildest and most entertaining novelists in the world.

His new work, *Half Asleep in Frog Pajamas* (Bantam \$6.99, 386 pages), starts suspiciously like a yuppie novel: Gwendolyn, a 29-nine-year-old stockbroker, weeps into her martini glass on a Friday evening after a day of a crash, dreading the opening of the markets on Monday morning. Her weekend turns out not to be

## Strange worlds and wise outlaws

occupied with thoughts of bulls and bears, however, but with frogs, an escaped monkey with a taste for burgundy, magic mushrooms from outer space, a cure for cancer and the future of the human race as well as romance with the staple Robbins figure - the wise-cracking outlaw, bearer of both fun and enlightenment.

"Mist from the sea covers the hill where a small army lies surrounded by a large." The Estrick clan is about to be massacred by the Northumbri-

ans. This is the splendid opening of Alasdair Gray's *A History Maker* (Canongate £13.99, 222 pages), set not in a border war of the past, but in the 23rd century where warfare has become a spectator sport and a league table. There are pre-slaughter interviews with the generals and running commentary as the Estrick clan is almost wiped out, all according to the Geneva Conventions.

The first chapter is the strongest; the rest lacks narrative thrust,

(though not pelvic thrusts), being a semi-satirical essay on how life should be lived. As with all Gray's work, layout and illustrations are as important as the writing. A worthy successor to *Poor Thots*, and ample evidence that Scotsmen can write without obsessive use of four letter expletives.

A fan of Alasdair Gray and, like him, someone who builds his work around quirky conceits is Will Self. His new collection of short stories,

*Grey Area* (Bloomsbury £9.99, 287 pages), explores strange worlds which have mutated out of our own.

"There are only eight people in London and fortunately I am one of them," is the start of the first story, concerned with the grueling life of the puppet-masters of the metropolis: "only 210,542 invitations to meals of any sort last year - and of those a good 40,000 were children's parties." A demon lover, a model village, and office paraphernalia are other

springboards for Self's bizarre flights of fancy, but the best piece has to be about inclusion, a drug that makes watching television fascinating.

Finally, the past. Didier Daeninckx's *A Very Profitable War* (Serpent's Tail £7.99, 192 pages) features René Criffon, a demobbed sleuth in Paris after the first world war who is hired by a distinguished Colonel to track down someone trying to blackmail him. Daeninckx is one of France's leading thriller writers, but *A Very Profitable War* is one for *serie noire* aficionados. The most satisfying sections of the book are the historical curiosities: the Colonel, for instance, has to put down a mutiny of Russian soldiers in France.

Tibor Fischer

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 Faith.  
 Forecast.  
 World Service.  
 News.  
 5.15 LIVE  
 News Programme.  
 Sunday.  
 Edition.  
 News.  
 Be Serious  
 Doc.  
 est.  
 9.00 Preview.  
 Independent.  
 News.  
 9.15 Specul.  
 NEWS  
 9.20 News can be  
 eastern Europe. News  
 from 9.48 M2  
 9.55 News and  
 features in  
 Jazz For The  
 World News. 7.15  
 of Brass. 7.30

From Our Own Correspondent.  
 7.50 Write On. 8.00 World  
 News. 8.00 Words of Faith.  
 8.15 The Grandfield Collection.  
 9.00 World News and Business  
 Review. 9.15 Short Story. 9.30  
 Folk. 9.35. 8.45 Sports  
 Roundup. 10.00  
 Programme. Science in Action.  
 10.30 In Praise of God. 11.00  
 News. 11.30  
 11.45 News and Press Review  
 in German. 12.00 News  
 Summary. Play of the Week:  
 Three Hattis. 1.00  
 2.00 News Summary. Help. I'm  
 Going To Be A Parent. 2.30  
 Anything But Love.  
 3.00 News. 3.15 Concert Hall. 4.00  
 World and British News. 4.15  
 BBC English. 4.30 News and  
 features in German. 5.00  
 News and Business Review.  
 5.15 BBC English. 6.00  
 Newsweek. 6.30 News and  
 features in German. 6.55  
 News. 6.10 Words of Faith.  
 6.15 Printer's Devil. 6.30  
 Europe Today. 6.40 Newswatch.  
 6.50 Preview.  
 Business Review. 10.15  
 Meridian. 10.45 Sports  
 Roundup. 11.00 Newsweek.  
 Help. I'm Going To Be a  
 Parent. 12.00 World and British  
 News. 12.15 It's Your Business.  
 12.30 In Praise of God. 1.00  
 News Summary. Play of the  
 Week. 1.45 World, Guts and  
 Brass. 2.00 Newsweek. 2.30  
 Composer of the Month. 3.00  
 News. 3.15  
 Sports Roundup. 3.30 Anything  
 Goes. 4.00 Newsweek. 4.30  
 BBC English. 4.45  
 Futurama.

**Fritz 3 and Genius** the line. N8c6 7 d4 cxd4 8 a3 dx

**Leonard Barden**

Today's hand is from rubber diamond. But South proceeds to play with want-it-all greed.

♠ K 3      South held four spades to the king and the heart queen.  
East dealt and passed, and      Declarer played off his heart

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Peter Aspden

# Take a Coke, a glass of Moët, shake well

There was a pleasing symmetry about the news that both Coca-Cola and Moët & Chandon were launching advertising campaigns this month: two world-famous brands, both under threat from *arriviste* competitors, giving their respective bottles a good shake to spray the opposition away in time for Christmas.

Both drinks stand for fizz, froth and fun, but they manage to appeal to opposite instincts in us. Coca-Cola, hitting back at the supermarkets with a \$4m television campaign, taps that youthful, clean-living, democratic impulse which we should all, in principle,

like to share: its message is shamelessly romantic, all-embracing, hopeful and artfully naive. It is a NOW product, a multi-national beverage for the modern world.

Moët & Chandon, on the other hand, in devising its first-ever British advertising campaign, has no hesitation in harking back to the *louche* air of fin-de-siècle Paris to promote its appeal, its curvy, Mucha-esque siren giving us the kind of sultry come-on which the clueless boys and girls in Coke-land would probably interpret as a touch of flu. Here is wickedness, expense and exclusivity, and democracy be damned.

It is, of course, the story of the new world versus the old: brash, in-your-face Americana meeting creaking, decadent Europa across the billboards, the latest in an endless series of cultural bouts.

The relationship between America and Europe, and France in particular, is actually more complex than is commonly supposed. One only has to watch the opening frames of Jean-Luc Godard's *A Bout de Souffle* to appreciate the happy symbiosis that can be achieved between the two cultures: street-styled existentialism and B-movie beefcake combining effortlessly to provide some of the most

influential images of the 1960s (American pop culture intriguingly paid back by almost naming the captain of the new USS Enterprise after the iconoclastic director).

The mutual exchange of jokes went on: America sent Jerry Lewis to France, where he became a cult hero; the French took revenge by sending a succession of the most ponderous philosophers of all time to lecture to the brightest-eyed students in the world. Years later, Allan Bloom would write *The Closing of the American Mind* to attack the consequences of continental thinkers on his country's sensibility, while in Paris, something

called Euro-Disney appeared to add spice to all those interminable café conversations. Semicolonitis or what?

The most magnificent example of Franco-American horseplay is Stanley Donen's romantic comedy *Funny Face*, in which an avuncular Fred Astaire wins the heart of Audrey Hepburn by dancing rings around a group of earnest philosophers in hooped skirts and berets. Here was American brashness – and intellectual insecurity – in abundance, but displayed with such good humour and brio that it was difficult to take seriously. Who could declare cultural war on

Astaire, for goodness sake?

What is remarkable, however, is that, even in the trans-global, multi-faceted 1990s, the cultural battle between new and old world continues. Its most obvious manifestation in London in recent weeks has been in the box office skirmish between Quentin Tarantino's *Pulp Fiction* and Krzysztof Kieślowski's *Three Colours: Red*, a conflict which began at this year's Cannes Film Festival and at which the American was controversially rewarded with the *Palme d'Or*.

Here is a classic choice, between the hard-edged, primary-coloured, self-referential savagery of Tarantino

and Kieślowski's spiritual, open-ended musings on relationships and destiny, the two directors possessing in common an immense talent but as divided in their world views as those bottles of fizzy drink. In London, as at Cannes, it is Tarantino who is winning, which I have to say depresses me a little. It is nothing to do with being anti-American, nor feeling censorious about violence; it is just that I have grave suspicions about a culture which so happily flaunts its most conspicuous flaws. In standing up for little old Europe, I'd like to teach the world to sing a rather different tune.

Private View

## The mathematician in his cave

Christian Tyler meets a man whose beliefs about human understanding are causing scientific controversy

Among mathematicians, Sir Roger Penrose is a cave-man. I do not mean he is some snaggled-toothed evolutionary throwback – even if certain high priests of brain science would call him that.

He is a cave-man because he agrees with Plato, who first used the analogy that human beings are like prisoners in a cave who can see only the shadows of reality thrown on to the wall by the firelight.

For Penrose, mathematical truths are part of reality, not human inventions, but pre-existing "forms" whose existence we have to discover.

He has reworked Plato's parable for the prologue of his second book, *Shadows of the Mind*, which restates and develops the controversial claim of *The Emperor's New Mind* that human understanding will never be explained in terms of computer-like calculations.

Human consciousness cannot even be simulated by a machine. Furthermore, the scientific explanation for consciousness will depend on discovering new laws of physics.

The cause of the Rouse Ball Professor of Mathematics at Oxford University is satisfyingly chaotic. Papers, books and correspondence crammed the room at the Mathematical Institute, a faded new block on St Giles. Adding to the jumble were old geometric models made of plaster, metal and wire which had been retrieved from some forgotten basement. A box of empty coffee jars and a broken percolator lay on the floor, next to a jigsaw puzzle of special difficulty based on one of Penrose's own geometric brain-teasers. Symbols and equations ran riot on the blackboard behind his desk.

Mathematics must be wired into the Penrose family. An older brother, Oliver, has just retired as professor of mathematics at Heriot-Watt University, Edinburgh. A younger brother, Jonathan, is a chess grandmaster. A nephew teaches maths at Durham and a son is doing his post-doctorate in the subject.

Penrose, whose special ability is spatial thinking, began constructing polyhedra (many-sided shapes) at the age

of 10, when he regarded maths as a kind of game. "An ability to do maths is not essentially different from ordinary thinking," he said. "One does it for fun, really. So you have to enjoy it to do it seriously."

Mathematics was discussed round the family dinner table. Penrose's father, a specialist in the inheritance of mental defects, would speculate on whether the brain was some sort of computer. However, he expected his son to become a doctor.

"I was actually, secretly, going to be a brain surgeon," Penrose said.

Another influence was a series of radio broadcasts by "There is a view that a machine can act as though it sees red, feels pain, etc. I'm saying it can't."

Professor Fred Hoyle (leading proponent of the "steady state" theory of the universe). Lunching with his elder brother at Cambridge one day, Penrose impressed Denis Sciama, a cosmologist, by questioning Hoyle's description of galaxies disappearing over the horizon of the universe.

"I drew a picture to show it didn't make sense. I think Denis was quite struck by this and later when I went to Cambridge as a graduate student he took me under his wing."

As a student at London and Cambridge, Penrose took up, as sidelines, quantum theory, particle physics, general relativity and cosmology. He also studied mathematical logic, where he encountered Kurt Gödel's revolutionary proof that in any logical system, such as that on which arithmetic is based, there are truths which cannot be derived from the axioms of the system. An interpretation of Gödel's "incompleteness" theorem underpins the controversial claims of *Shadows*.

Penrose wrote these two "popular" science books partly

to convey his own sense of excitement, he says. To call them popular is misleading, however. Most of his supporting evidence is indecipherable to non-mathematicians. Even if the hypothesis is clear, the books are tougher to read than the best-selling *Brief History of Time* by Stephen Hawking. Penrose's opposite number at Cambridge and former collaborator on Black Holes.

The books were to have been a retirement project. Then Penrose saw a re-run of a TV programme in which Marvin Minsky and another American pioneer of the "hard" school of artificial intelligence made "some very extreme remarks".

He added: "From their very particular point of view what they said was logical. But I just don't believe it. As an undergraduate I had tried to build up logical systems which would reduce thinking to computation. Even then, in the middle of doing it, I had a suspicion that something was wrong and this wouldn't work."

Most people, I said, had never heard of Gödel but would say it was obvious that consciousness wasn't just computation. Why did you need to demonstrate it?

"It's very curious. You find people on both sides who regard the other point of view as ridiculous. People say 'Why bother to write the book?' But what's not so obvious is that I am saying something stronger: that is, that you can't even simulate this activity."

"There is a view that a machine can act as though it sees red, feels pain, etc. My line is different. I'm saying it can't even act as though it has these qualities. There is something in our understanding which you couldn't even imitate... and, stronger still, you couldn't do it with presently known physics."

"The argument from obviousness is a good argument, but it doesn't get you anywhere. It doesn't tell you what to do." Briefly, what Penrose tells us to do is look at the "microtubules" in the neurons, or brain cells, for signs of quantum brain activity which could, with the missing physics, translate into non-computable consciousness.

Are you envious of the computer's power?

"People often ask me that one," Penrose replied. "There is certainly an element of pride, I suppose, and not wanting to be outdone by a mere machine and that sort of thing. If computers get very good at chess I don't like the idea. But I'm pretty sure it's more than that. I don't think it's correct, that's all."

Do mathematicians like you feel left out of the argument?

"Certainly I feel there's an awful lot of very hard work, clever work, very important work which is almost totally ignored and dismissed, simply because it's not something that people understand and may not have any immediate value. Mathematicians tend to be modest. They work away in their corners and don't go and shout about things."

So you think computer science is hijacking maths?

"I think to some extent it has hijacked it. There's some interesting stuff, of course, and I don't want to denigrate it. But I don't think it should take over in the public mind."

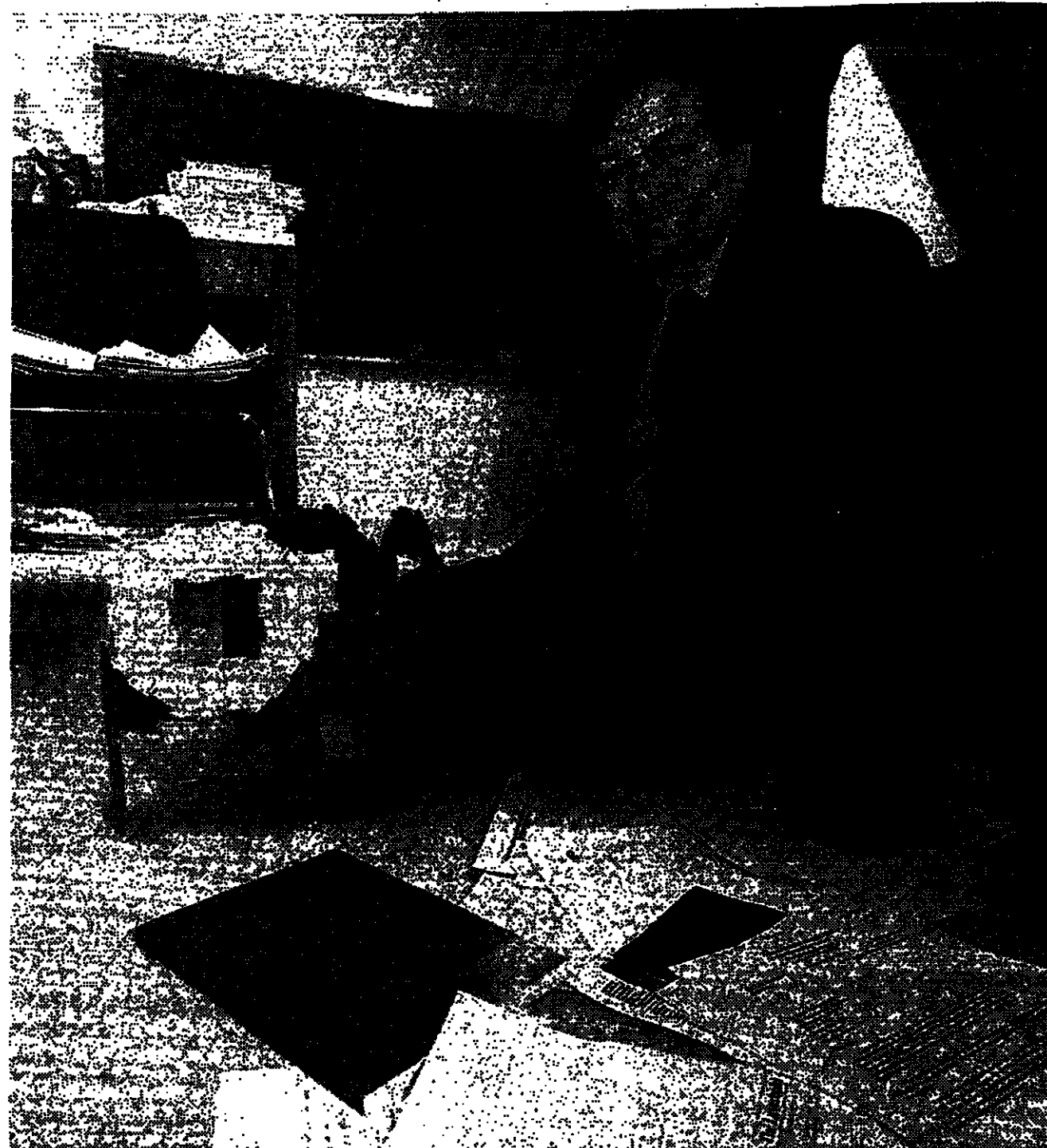
The pure mathematician is, of course, a species of philosopher. Whether Penrose's mathematical brilliance carries over to his philosophical reasoning is what his critics question.

But in subscribing to a Platonic world of ideas, he is certainly not alone, even among mathematicians. The concepts, he says, are "out there" in the sense of being independent of our perception of them. Does he mean that they exist like Plato's forms?

"Yes, very much so. But I get into a lot of trouble on that one. People will often go along with other things I say. But even the most sympathetic I find sometimes balk at taking mathematical forms as really existing."

"The trouble is, if you don't take them as existing in some sense then the other mysteries become even more mysterious. The physical world behaves to such an extraordinary degree in accordance with highly sophisticated mathematics. It makes that mystery even more puzzling if the mathematics somehow isn't there, if it's our creation."

"Einstein's theory of general relativity is a wonderful example why that can't be the case. Newton's theory of gravity had



Tony Andrews

been around for years and Einstein didn't need to produce a new theory for which there was anyway not much evidence at the time.

"But now it's become the most accurate theory known to science. And it was there all the time! It's not that somehow we've imposed our thinking on the way that space is constructed. It's out there."

Then why don't you just say that souls exist, too, and do our thinking?

"Well, I suppose one can say things like that. Certainly if one uses 'soul' to describe a person's consciousness I have no objection to that. It's just a word I tend not to like to use because it has unfortunate connotations. I suppose I don't find it very helpful."

Are you really a Pythagorean mystic?

"Sometimes people call me that. Labels are things which people put on me. Pythagorean mystic? I hate to use the word mystic. But I certainly have been called Pythagorean rather than Platonic as someone who believes in mathematics underlying everything."

I asked Penrose whether the controversy excited by his books was drawing him away from his chief activity, which is mathematical physics – specifically, something called twistor theory which he has worked on for 30 years.

"I have other things I really

want to get back to," he said. "Although the question of the missing physics is something I want to think about more seriously. In a certain sense I regard all these other things as distractions from my work. But they're interesting distractions."

As They Say in Europe/James Morgan

## Mafia sets example on crime

Reading the British press one would hardly have known that the UN Conference on crime was taking place in Naples for most of last week. Only the speech by Italy's prime minister, Silvio Berlusconi, which came just as it was announced that he was being investigated for corruption, aroused a vicarious flicker of interest.

In Brussels the conference was front page news. *La Libre Belgique* shouted: "Organised crime finds who it is talking to." That was followed by a story about the Belgian justice minister, Melchior Waelhies, who made what the paper saw as a hard-hitting speech on the "complementary" of global and regional approaches to crime busting.

The story alongside gave the game away: "Drugs and Holland pinpointed in CTIF report." The CTIF is a Belgian government unit for cracking down on money laundering. The report said BFRibba had been identified as part of such operations. But only three per cent of that sum had been

traced and frozen. The other big Brussels daily, *Le Soir*, was equally excited: "Belgium arms itself against organised crime." Again it gave pride of place to the concept of a regional strategy.

It would, unfortunately, be misleading to say that all Belgium is grinding its loins in the everlasting struggle against delinquency and the Dutch. In Flanders, priorities were different. *Het Gazet van Antwerpen* led on "The warmest November of all time".

As always with this paper, its stories are hard to check, like another front page item, lifted from London's *The Times*. This concerned an impending invasion of plastic ducks threatening England because a container ship had shed its cargo in the North Pacific two years ago.

*Het Gazet* lives in some curious make-believe world, half-way between Tolkien and Breughel, but without the crime. That may account for the curious news-from-nowhere quality of whatever emerges from Flanders.

Back at the UN conference in Naples, Pierre Malsinerie, the French justice minister, added his voice to the call for "the greatest international co-operation" in fighting crime.

He also focused on what he called "fiscal paradises", arguing that offshore banking centres should be tackled with as much vigour as the international community had applied to the supporters of international terrorism.

The French do not like unregulated business activity and the threat should be taken seriously. After all, in 1985, New Zealand got the rough end of the French stick when government assassins arrived from Paris to blow up the *Rainbow Warrior*. Then it was Iraq that was clobbered and now, apparently, it will be Guernsey. In highlighting crime blackspots of the world, the Italian paper *La Stampa* also singled out the Channel Islands, rather than Naples.

Everybody finds someone else to blame for crime. The Belgians have to protect themselves against the Dutch.

The Russians pointed out that their supposed crime were merely the creation of a "cold war style" propaganda campaign designed to hold up their country's development.

The choice of Naples as the site of a conference on crime was intriguing. The *Frankfurter Allgemeine Zeitung* dealt with the puzzle – at considerable length, inevitably. It stressed the "high expectations of the population".

The Neapolitans had greatly enjoyed the G7 Summit there in July, for during that period there had been no litter on the streets until eight in the evening. It has become a kind of golden age in the Neapolitan popular imagination.

There are many reasons to believe that a city like Naples was the right choice for any such conference. So long as the *camorra* is squared before-hand, it can guarantee security far more reliably than the police. After all, a car can be parked in perfect safety with the key in the ignition by a guest at a mafia wedding.

And anybody who attended the G7 Summit in Naples knows how the highest moral standards were assured. A large number of young women of outstanding physical attributes were in attendance. But even the rougher end of the journalistic corps kept its distance once officials announced that these were the daughters of the leading local godfathers.

But unfortunately the crime wave was spreading to the most unlikely places even as the crime fighters met. As someone who has lived at different times in Vienna, I had thought that traffic rules there were inviolable: one was physically restrained from crossing an empty street by other pedestrians when the lights were green.

But research, according to *Der Standard*, has now shown that drivers jump one red light in 10. That means two million cars cross on yellow every day.

Almost like a Mediterranean city, said the paper.

James Morgan is economics correspondent of the BBC World Service.

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